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THE COMMONWEALTH OF

MASSACHUSETTS

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1988

Michael S. Dukakis, *Governor*

Frank T. Keefe, *Administration and Finance Secretary*

Ellen M. O'Connor, *Comptroller*

THE COMMONWEALTH OF

MASSACHUSETTS

Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 1988

Executive Office for Administration and Finance
Office of the Comptroller

COMMONWEALTH OF MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 1988

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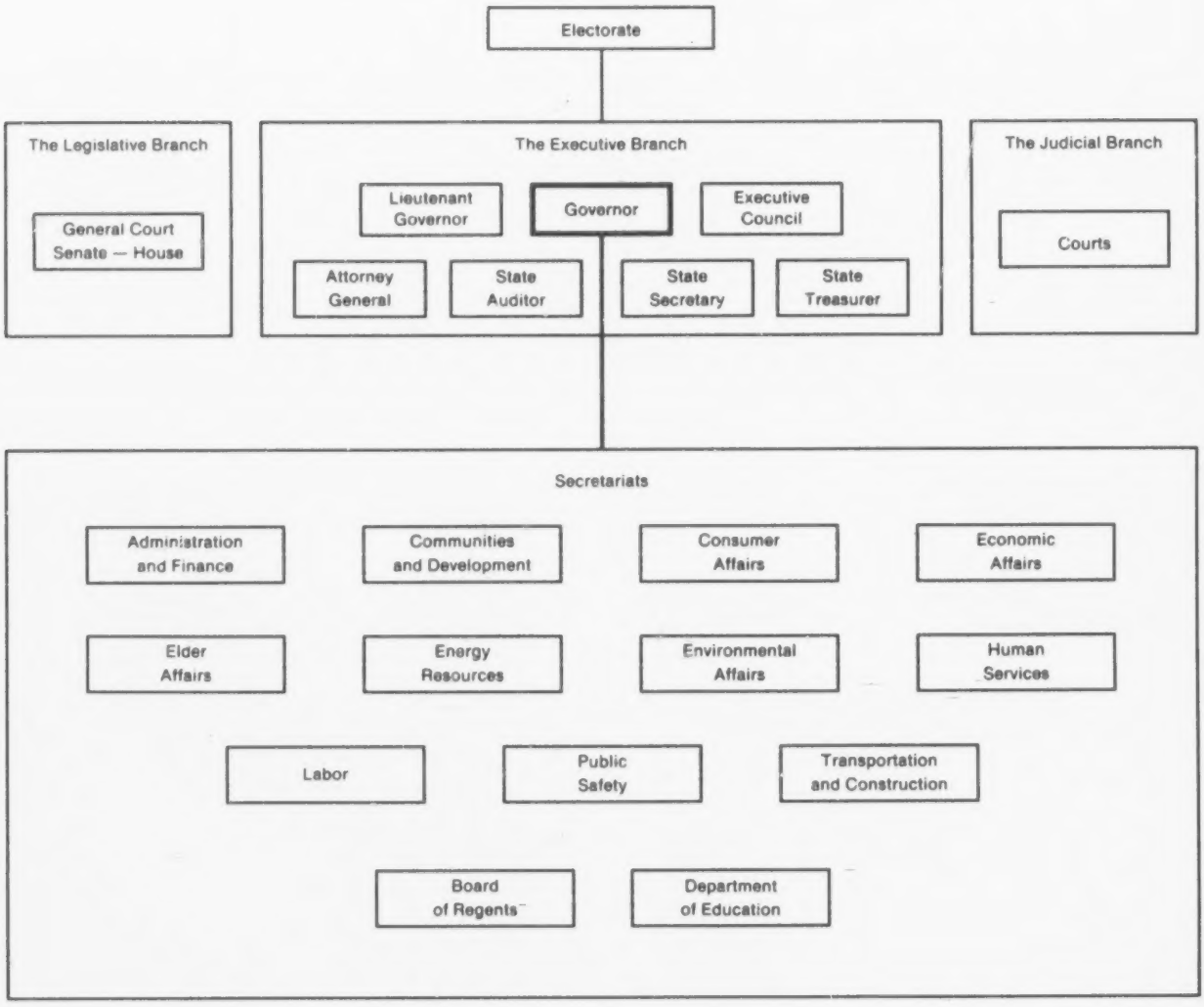
THE COMMONWEALTH OF

MASSACHUSETTS

Introductory Section

The Commonwealth of Massachusetts



COMMONWEALTH OF MASSACHUSETTS

COMMONWEALTH OFFICERS

Constitutional Officers

Michael S. Dukakis	Governor
Evelyn F. Murphy	Lieutenant Governor
Michael Joseph Connolly	Secretary of State
James M. Shannon	Attorney General
Robert Q. Crane	Treasurer and Receiver-General
A. Joseph DeNucci	Auditor

Legislative Officers

William M. Bulger	President of the Senate
George Keverian	Speaker of the House

Judicial Officers

Edward F. Hennessey	Chief Justice, Supreme Judicial Court
John M. Greaney	Chief Justice, Appeals Court
Arthur M. Mason	Chief Administrative Justice, Trial Court

COMPTROLLER'S DIVISION
ELLEN M. O'CONNOR
COMPTROLLER

The Commonwealth of Massachusetts

Executive Office for Administration and Finance

1 Ashburton Place
Boston, Massachusetts 02108

January 11, 1989

To the Citizens of the Commonwealth of Massachusetts,
Governor Michael S. Dukakis and the Honorable Members
of the General Court:

In accordance with Section 12 of Chapter 7A of the General Laws, the Office of the Comptroller transmits the Comprehensive Annual Financial Report for the fiscal year ending June 30, 1988 (FY 88). The publication of this report represents the completion of financial activity for FY 88. The report contains two sets of audited financial statements: those prepared in accordance with generally accepted accounting principles (GAAP), and those prepared using the budgetary (modified cash) basis of accounting.

The Office of the Comptroller is responsible for the presentation of the financial statements of the Commonwealth. This report includes all the necessary information for the reader to obtain a comprehensive understanding of the Commonwealth's financial position and the results of its operations for FY 88.

The financial condition of the Commonwealth, on a budgetary basis, continues to be strong. Under the budgetary basis of accounting, which is used for developing the state budget and controlling daily activities, the General Fund has reported a total fund balance of $322.1 million (m) of which $112.3m is designated within the Program Stabilization Fund. However, the financial condition on a GAAP basis is not as strong as it was at the end of last year. When reported on the GAAP basis of accounting, the Commonwealth's performance resulted in a General Fund deficit of $109.4m.

There are two significant factors which explain the difference between the GAAP fund deficit and the budgetary basis fund balance in the General Fund: accrual of certain tax abatements and a decrease in taxes receivable; and accrual of the liability to support the Massachusetts Bay Transportation Authority and other transit authorities. A reconciliation of budgetary basis to GAAP basis is disclosed in the Notes to the General Purpose Financial Statements.

Significant Achievements

Several noteworthy achievements highlight FY 88.

The Commonwealth has again in FY 88 concluded the year with a budgetary fund surplus in the primary governmental funds. As a result, the amount designated for Program Stabilization has increased as follows (amounts expressed in thousands):

Initial amount transferred FY 87	$ 70,330
Interest income FY 88	4,661
Additional transfer FY 88	37,321
Current balance FY 88	$112,312

In the financial statements, the Program Stabilization Fund has been incorporated into the General Fund for reporting purposes.

In FY 88 the rating of Commonwealth bonds and notes improved from AA to AA+ by Standard and Poor's Corporation and from A-1 to Aa by Moody's Investors Services. This improvement in the bond rating represents a signal of confidence by these independent agencies in the economic and financial prospects for Massachusetts. The improved bond rating assists the Commonwealth to issue bonds at a lower interest rate which results in large savings of interest expense in the future.

In FY 88 the Commonwealth enacted a funding plan to eliminate the unfunded pension liability. This is a very important step to assure interperiod equity, that is, to require that liabilities incurred in the current period are funded in the current period, even though such liabilities may not need to be paid until many years in the future.

The Massachusetts Management, Accounting and Reporting System (MMARS), has been in full operation for two years. Most transition issues from the prior system (which had been in operation for 20 years) to the new system have been resolved, and 99% of the departments are "on line". Departments are becoming increasingly more sophisticated in their use of the system, and an overall increase in professionalism has been observed regarding the 2,500 state employees who interact with MMARS on a routine basis.

The Commonwealth has achieved its third annual State Single Audit. The State Single Audit involves audit reports of the independent public accountants and is used as a management process to improve fiscal management throughout the state.

Independent Audit

The firm of Touche Ross & Co., together with the subcontractors Paul J. Gerry, CPA, PC, Daniel Dennis & Company, and Margaret Carr, CPA, have performed an independent audit of the Commonwealth's general purpose financial statements. This is the third consecutive year that the Commonwealth's general purpose financial statements have received an opinion from independent auditors, as presented on both a GAAP basis and a budgetary basis of accounting. These opinions are presented in the financial statement section of this report.

The audit opinion on the general purpose financial statements is a component of the State Single Audit. Other components include a Report on Compliance and Internal Control regarding programs which receive federal financial assistance, a Report on Compliance and Internal Control on programs which do not receive federal financial assistance (state funding only), and a detailed listing of federal funding in the Schedule of Federal Financial Assistance. These related audit reports will be published and distributed to interested parties in the near future.

During the audit, the State Auditor's Office (SAO) worked in close cooperation with the Office of the Comptroller and the firm of Touche Ross & Co. The SAO conducted special engagements reviewing departmental compliance with Comptroller directives regarding revenue cutoff and accounts payable activity. In addition, the SAO assisted in auditing many state colleges. This audit work has been incorporated into the Reports on Compliance and Internal Control.

Reporting Entity

The General Purpose Financial Statements - Budgetary Basis include the 80 funds of the Commonwealth, incorporating the fiscal activities of the 168 state departments, agencies, boards, commissions and constitutional offices. These 168 state departments conduct their daily financial business in the state accounting system.

The General Purpose Financial Statements - GAAP Basis include an additional 15 authorities as Enterprise Funds and the financial operations of the trust funds in Higher Education. These 15 component units and the state college trust funds meet the GAAP criteria for incorporation into the governmental reporting entity. Information detailing the financial activities of these authorities appears in the Combining Financial Statement for Enterprise Funds and in the Notes to the General Purpose Financial Statements (footnotes).

Budgetary Control and Accounting System

Budgetary control is enforced through MMARS. The Legislature authorizes expenditures through annual and supplemental appropriations. After proper notification by the Fiscal Affairs Division of the Executive Office for Administration and Finance, these appropriations are posted in MMARS. The Office of the Comptroller controls subsequent obligation and expenditure activity to ensure that the authorized appropriation is not exceeded. As an additional element of budgetary control, certain obligations are individually reviewed and approved by the Comptroller and other oversight departments prior to acceptance by MMARS.

MMARS maintains all transactions on the budgetary basis and most transactions on the GAAP basis. Some additional information provided by the departments is compiled to complete the GAAP financial statements. The differences between the two bases of accounting may be characterized as follows:

- basis differences, that is, GAAP uses accruals and the budgetary is essentially cash,
- timing differences, for example, GAAP includes payables for goods and services received, whereas the budgetary basis includes outstanding encumbrances, and
- entity differences, that is, the GAAP reporting entity includes the 15 authorities and the trust funds in Higher Education that are not part of the state budget, and they are not in MMARS.

A reconciliation between the GAAP basis financial statements and budgetary basis financial statements is included in Note 3 of the footnotes.

General Government Operations

The Commonwealth uses a structure of a General Fund and 34 Special Revenue Funds to account for the routine activity of State Government. As reported on the budgetary basis of accounting, these funds show a substantial increase in both revenue and expenditures when compared to FY 87.

Total expenditures and uses exceeded total revenues and sources; this planned outcome was to spend down the balances in continuing accounts rather than carryforward such amounts into the next year.

As displayed in the following table, an overall increase in revenue was accomplished in 1988 (amounts expressed in millions):

Revenues	FY 88	FY 87	Change	%
Taxes	$ 8,274.9	$ 8,054.6	$220.3	3%
Federal grants and reimbursements	2,297.1	2,077.9	219.2	12
Other revenues	2,389.4	2,222.7	166.7	7
Interfund transfers and other sources	960.2	925.2	35.0	4
Total revenues and sources	$13,921.6	$13,280.4	$641.2	5%

Within the category of taxes there was a moderate increase: growth in sales, personal income, insurance, and inheritance taxes offset decreases in corporate income and bank taxes. The reader is referred to the Report on Tax Collections prepared by the Department of Revenue for a detailed examination of changes in the various tax sources. Federal reimbursements increased by 12% due to increased reimbursements of state expenditures in welfare and highway construction programs. Within the category of other revenue, once again the Lottery continued a 10% growth rate. Interfund transfers increased due to certain abandoned property escheating to the General Fund and the consolidation of balances in certain Special Revenue Funds.

In FY 87, the state tax cap, Chapter 62F of the General Laws, was implemented. This law requires an annual comparison between actual tax collections and an allowable tax amount computed by a statutory formula indexed to the inflation rate. Any amount of actual collections over the allowable amount is to be refunded to the taxpayers. For FY 87, the State Auditor's Office determined a tax refund of $29.2m which was implemented in the 1988 state income tax returns. For FY 88, actual tax collections were less than the allowable amount per the tax cap formula by $520.4m, and thus, no additional tax refund was warranted.

In FY 88 a court decision was issued pertaining to the method of calculating corporate income tax by allowing corporations with multi-state locations to offset profits earned in Massachusetts with losses generated in other locations. The decision, frequently called the "GE case", had a significant effect on tax revenues since it required a substantial abatement of taxes. A liability for $34m has been recorded on the budgetary basis of accounting and is incorporated into the budgetary basis financial statements, accordingly. This amount was measurable when these statements were prepared and also is consistent with the budgetary assumption of the Administration and the Legislature. A full estimate of the liability for these abatements, $100m, is included in the GAAP financial statements. Additional statutes have been enacted to change the effect of this court decision in FY 89.

When expenditures are compared to FY 87, there was again a substantial increase (amounts expressed in millions):

Expenditures	FY 88	FY 87	Change	%
Legislative, judicial, executive and constitutional offices and independent commissions	$ 2,474.1	$ 2,367.4	$106.7	5%
Executive secretariats	9,805.5	9,025.0	780.5	9%
Pension	600.2	622.4	(22.2)	(4%)
Debt service	568.5	530.1	38.4	7%
Interfund transfers and other uses	861.5	1,009.2	(147.7)	(15%)
Total expenditures and uses	$14,309.8	$13,554.1	$755.7	6%

The largest part of the increase within the category of constitutional offices was an increase in local aid to cities and town administered by these offices; there were also smaller increases in the budgets funding the administrative operations. Two factors account for the major increases

within the executive secretariats: local aid to cities and towns administered by these secretariats increased substantially, and there has been significant growth in state operated programs such as human services, public safety, higher education, transportation, and housing. In FY 87 special contributions of surplus governmental funds to the pension reserve were made; in FY 88 these contributions were continued, but at a reduced level. Debt service increased as the state sold more long-term bonds. In the category of interfund transfers, the amount of fund deficits to be balanced in the Highway and Local Aid Funds and other interfund adjustments decreased.

Fund Balance

While revenue and expenditures are commonly viewed to measure financial performance, another important indicator is the changes in fund equity (budgetary basis) for the primary governmental funds. The General, Highway, and Local Aid Funds comprise over 98% of the annual state budget; the program stabilization amounts represent a strategic reserve available for appropriation due to changed economic conditions or any event that threatens the health, safety or welfare of the citizens or the fiscal stability of the Commonwealth or its political subdivisions.

The following table shows the changes in fund equity in these funds for the last two fiscal years (amounts expressed in millions):

General Fund	FY 88	FY 87	Change
Designated for continuing accounts	$168.4	$434.4	($266.0)
Undesignated and designated for program stabilization	153.6	110.8	42.8
Total	$322.0	$545.2	($223.2)
Highway Fund			
Designated for continuing accounts	$ -	$ 67.8	($ 67.8)
Undesignated	-	-	-
Total	$ -	$ 67.8	($ 67.8)
Local Aid Fund			
Designated for continuing accounts	$ -	$ 57.7	($ 57.7)
Undesignated	-	-	-
Total	$ -	$ 57.7	($ 57.7)
Combined			
Designated for continuing accounts	$168.4	$559.9	($391.5)
Undesignated and designated for program stabilization	153.6	110.8	42.8
Total	$322.0	$670.7	($348.7)

Fund balance designated for continuing accounts represents the amount of unspent appropriations specifically authorized by the Legislature to be carried forward and available for expenditure, without additional appropriation, in the next fiscal year. Typically, appropriations lapse and revert unspent balances at the end of the fiscal year. However, a trend had been emerging with numerous exceptions to this typical practice, evidenced by growing designations for continuing appropriations. In FY 88, the Legislature limited, and in many cases, eliminated this practice, thus restoring the more traditional and typical "one year at a time" basis. This change was strongly recommended by the Office of the Comptroller to improve budgetary control.

The undesignated fund balance and amount designated for program stabilization is frequently called the "unappropriated surplus." This amount represents the accumulation of resources available for appropriation in the next fiscal year. According to state finance law, any surplus in excess of a certain statutorily computed amount is transferred to program stabilization. In FY 88 a transfer of $37.3m was made and is included in the financial statements as a designation in the General Fund.

The ten-year pattern of undesignated fund balance (budgetary basis) as set forth in the following table indicates that amounts preserved in FY 88 are reasonable and prudent when compared with prior years (amounts expressed in millions):

Fiscal year	Major budgetary funds' unappropriated surplus
88	$153.6
87	110.8
86	333.3
85	92.2
84	19.2
83	46.9
82	26.5
81	39.8
80	39.3
79	219.9

For FY 88 and FY 87, most of the unappropriated surplus is designated in the Program Stabilization Fund and represents a cushion of financial resources available for appropriation in times of emergency or unforeseen circumstances. In FY 86, the large balance resulted from a surge of revenues from the Commonwealth's aggressive revenue enhancement and enforcement program. In FY 85 and prior years, the smaller balances reflected the fiscal policy of those years, which was to spend almost all revenues with very small provision for future contingencies.

Cash and Investments

All cash is controlled by the State Treasurer pursuant to the requirements of law. Each state department promptly transmits to the State Treasurer all of its cash receipts. Weekly warrants for expenditures are prepared by the Comptroller, reviewed and approved by the Governor's Council, and checks are issued by the Treasurer. In addition to the weekly warrant process, the State Treasurer is directed to issue certain other payments, such as debt service.

A system of bank account sweeps and lock boxes is employed by the Treasury to maximize daily cash balances. The State Treasurer manages this money in pooled investment funds to maximize interest earnings. The Treasurer invests excess cash from its general accounts in short-term securities and other instruments. The average daily invested balance for FY 88 was almost $600m. The interest earned for the year was $23.8m in the General Fund. Additional interest income of approximately $15.9m was earned in the Expendable Trust and other funds. Various disclosures related to the Commonwealth's cash and investments are presented in the footnotes.

For the past several years the Commonwealth has enjoyed a positive cash position. This situation allowed high interest income from investments and reduced the need for short-term borrowing. However, several factors have developed which have changed this cash position:

- long-term debt issuance falling behind related capital spending,
- large tax abatements and smaller than expected increases in revenue and,
- acceleration of disbursements, such as local aid distributions to cities and towns.

The Office of the Comptroller supports recent efforts by the Treasurer to recognize and address these factors and to coordinate a statewide cash management strategy that responds to these changed conditions.

Debt

For many years, the Commonwealth has been steadily increasing its investment in capital assets to enhance and protect the infrastructure of Massachusetts. This trend has been evidenced by the increases in capital appropriations and related bond authorizations enacted by the Legislature in FY 88. The amount of capital appropriations not yet expended at the end of FY 88 was $7,988m; the amount of bonds authorized but not yet issued was $7,36[illegible]m. The Office of the Comptroller is concerned about the long-term implications of this trend and recommends that additional efforts be undertaken to control and manage this increase in capital operations.

The following table sets forth the Commonwealth's long-term bonded indebtedness for the last five years and the ratio of such indebtedness to certain economic indicators (amounts expressed in millions):

Fiscal year	Outstanding debt (net of discount)	Ratio of debt to estimated full value of real estate	Ratio of debt to personal income
88	$4,122	1.09%	3.51%
87	3,826	1.73	3.59
86	3,677	1.64	3.82
85	3,424	2.30	3.98
84	3,346	2.25	4.24

Approximately 35% of the principal amount of these bonds is scheduled for retirement within five years and approximately 68% within ten years.

The Commonwealth ended FY 87 with General Obligation Bonds outstanding including discount and related mini-bonds of $4,390m. During FY 88, the Commonwealth issued $551.2m in General Obligation Bonds and $33.1m in mini-bonds with interest rates ranging from 6.0% to 7.4%, reflecting the improved bond rating, and retired $271m in General Obligation Bonds and $13m in mini-bonds.

It has been the Commonwealth's debt management policy to maintain a balance between capital spending and bonded debt issuance on a statewide basis. However, over the past few years certain circumstances, including the federal laws on arbitrage, have constrained the Commonwealth's ability to issue bonds in a timely way. Thus, the relationship between capital debt and financial resources such as federal reimbursement to capital spending indicates an accumulating cash deficit (amounts expressed in millions):

Fiscal year	Sources of funds			Uses of funds	Cash variances
	Bonds	Other	Total		
88	$576.3	$143.1	$719.4	$915.1	($195.7)
87	353.1	149.5	502.6	844.6	(342.0)
86	480.1	148.4	628.5	654.6	(26.1)

As a result, the capital funds are in cash and fund deficit positions. This financial position works to the detriment of the Commonwealth's overall cash position, impedes the ability to earn interest income, and increases the necessity to make short-term borrowings. A large amount of long-term debt should be issued in the next few years to provide the underlying capital financing to match the capital spending. This debt management policy should be coupled with efforts to amend federal law and eliminate other obstacles to the state's ability to issue tax-exempt debt.

Pensions

The Commonwealth is responsible for the payment of pension benefits to state employees and teachers of the cities and towns. The systems were originally designed as "pay-as-you-go", meaning that amounts were expended to pay current year benefits with no provision made to fund the pension benefit liability associated with current employees.

In FY 88 the Commonwealth enacted a pension reform law which included among other items a requirement for the funding of the unfunded pension liability. Commencing in FY 89, a 40-year funding schedule will be established which is sufficient to meet all current expenses and accumulate assets to eliminate the unfunded pension liability.

The pension reserve fund is used to accumulate assets and address the unfunded pension liability. In FY 88, contributions were made to the pension reserve as follows:

- $16.2m excess earnings from the state employees' annuities fund;
- $89.6m excess earnings from the teachers' annuities fund;
- $25.0m from general fund and local aid appropriations;
- $13.2m from dedicated taxes; and,
- $10.0m from federal fringe benefit collections.

The state employees' annuities fund and the teachers' annuities fund receive employee contributions and also accumulate assets. The combined fund equity of these three pension funds has been increasing over the past several years as indicated in the following table (amounts expressed in millions):

Fiscal year	Fund equity	% Change from prior year
88	$5,994.7	6%
87	5,636.9	14
86	4,948.5	42
85	3,477.9	44
84	2,415.6	-

A significant aspect of the 40-year funding schedule allows these assets to accumulate investments with no withdrawals for the next ten years. According to this strategy, significantly increased contribution levels from state funds are not necessary within the next several years in order to accomplish the funding schedule. A periodic monitoring of the assets and comparison to the actuarially computed liability is called for by the law to ascertain whether the funding goals are being met.

The unfunded pension liability based on 1987 actuarial valuations was $7,400m. A more recent actuarial valuation is not available. In FY 89, an actuarial valuation will be available to measure the pension liability and performance of the funding schedule.

Internal Control Environment

The objectives of the Commonwealth's internal control systems are to provide management with reasonable assurance that:

- financial and other resources are safeguarded against losses from unauthorized use or disposition;
- encumbrances, payments and other transactions are executed in accordance with management authorizations;
- financial and statistical records and reports are accurate and reliable;
- applicable laws, regulations, and policies are adhered to; and,
- resources are efficiently and effectively managed.

It is the responsibility of department managers to develop and maintain an effective internal control system in their respective departments.

The Office of the Comptroller, in joint ventures with the State Auditor's Office, has taken several actions to assist departments in their development of internal control systems. A series of internal control training programs was delivered to hundreds of departments managers; also an Internal Control Guide was written and distributed to departments. At the end of FY 88, staff from the State Auditor's Office visited 97 departments to assure that revenue for FY 88 was being properly differentiated from revenue for FY 89 and that departments were properly following Comptroller directives. In addition, at the end of FY 88, the State Auditor's Office visited 50 departments to assure the Comptroller's instructions were being followed and that encumbrances and advances were being charged to the correct fiscal year. Through these coordinated efforts, proper internal control procedures were reinforced to department employees.

The Office of the Comptroller has initiated an aggressive follow-up to findings from the State Single Audit. This follow-up activity is designed to ensure that corrective action plans developed by departments are effective and that bona fide efforts are taken to resolve noncompliance issues or weaknesses in the internal control systems. Significant progress has been made in implementing the corrective action plans. As reflected in the State Single Audit Reports, one third of the audit findings from FY 86 were resolved and not repeated in FY 87.

Economic and Financial Prospects

The Commonwealth has achieved an enviable position of fiscal stability and economic growth. Having established a solid foundation through critical public investments, the challenge for the future is to maintain this position.

The economic outlook is dominated by low unemployment rates which are forecast to remain below 4% for the rest of the decade. The strength of the Massachusetts economy is evident when compared to national averages.

Year	Massachusetts unemployment rate	U.S. unemployment rate
1989 est.	3.0%	5.6%
1988	3.1	5.5
1987	3.7	6.7
1986	3.8	7.0
1985	3.9	7.2
1984	4.8	7.5
1983	6.9	9.6
1982	7.9	9.7
1981	6.4	7.6
1980	5.6	7.0

The strength of Massachusetts is similarly demonstrated in income growth, the single best measure of individual well-being in an economy. Personal income gains for Massachusetts residents are forecasted at 8.9% in FY 89 and 8.5% in FY 90, much stronger than comparable U.S. figures.

Year	Massachusetts income	% Change	U.S. per capita income	% Change
1990	$24,429	8.5	$18,693	6.4
1989	22,516	8.9	17,568	7.1
1988	20,669	9.2	16,404	7.3
1987	18,934	8.1	15,288	5.7
1986	17,516	11.0	14,461	7.0
1985	15,776	9.1	13,511	6.4
1984	14,463	10.5	12,696	8.8
1983	13,089	9.0	11,675	3.0
1982	12,010	7.6	11,332	7.8
1981	11,158	10.2	10,517	10.5

The FY 89 General Appropriations Act is now under review. The original appropriation forecast revenue growth and authorized increased spending levels accordingly. However, it has now been determined that actual tax revenue growth will be less than originally forecast. A budget balancing plan that has a series of revenue enhancements, interfund transfers, expenditure curtailment plans and a larger reserve for additional appropriation is now being considered and implemented.

A comparison of the original appropriation and the current plan is as follows (amounts expressed in millions):

	General Appropriation Act	Revised
Taxes	$ 9,180.6	$ 8,953.0
Federal reimbursements	1,437.7	1,516.0
Departmental	799.8	749.0
Other revenues and sources	590.8	885.8
Total revenues and sources	$12,008.9	$12,103.8
State purposes	$ 7,382.6	$ 7,133.7
State aid to cities and towns	3,850.2	3,850.2
Debt service	581.9	574.8
Other uses	103.3	183.4
Reserve for additional appropriations	110.7	393.0
Total expenditures and uses	$12,028.7	$12,135.1

The Commonwealth has traditionally balanced its budgets through such mechanisms as controlled state spending, improved program management, and aggressive revenue management. It is expected that appropriate actions will be authorized to balance the budget for FY 89.

Conclusion

This report demonstrates the continued commitment of the Office of the Comptroller to promote and improve the financial management of State Government. The implementation of the new accounting system and similar initiatives have established a foundation for future improvements. We look forward to working with all the various State Departments to build upon this foundation and improve fiscal management practices in such areas as fixed asset accounting, intergovernmental fiscal business, and closer compliance to GAAP.

In closing, the Office of the Comptroller wishes to express its sincere appreciation to the many individuals whose dedicated efforts have made FY 88 successful. And to the staff at the Office of the Comptroller, I offer my personal appreciation and thanks for all the extra effort and time you have contributed to produce this report.

Respectfully submitted,

Ellen M. O'Connor
Comptroller

THE COMMONWEALTH OF

MASSACHUSETTS

Financial Section: GAAP Basis

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Touche Ross

Independent Auditor's Report

Ms. Ellen M. O'Connor, Comptroller
The Commonwealth of Massachusetts

We have audited the accompanying general purpose financial statements of the Commonwealth of Massachusetts as of June 30, 1988, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Commonwealth of Massachusetts' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Pension Reserve Investment Trust, an investment vehicle for certain of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements of which reflect 25 and 13 percent, respectively, of the assets and revenues of the Fiduciary Fund Type. We did not audit the financial statements of the entities which comprise the Proprietary Fund Type. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fiduciary and Proprietary Fund Types referred to above, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to audit the financial data included in the General Fixed Asset Account Group (Note 6).

As discussed in Note 12, retirement expenditures represent amounts contributed by the Commonwealth determined primarily on a "pay-as-you-go" basis. Generally accepted accounting principles require that retirement expenditures be based on an acceptable actuarial cost method.

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Touche Ross

In our opinion, based upon our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Asset Account Group, and except for the effect of not recording retirement expenditures on an acceptable actuarial cost method as discussed in the fourth paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts as of June 30, 1988, and the results of its operations and changes in financial position of its Proprietary Fund Type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 10 to the general purpose financial statements, the Commonwealth has adjusted opening fund equity in the General, Special Revenue, Proprietary and Fiduciary Fund Types to reflect changes in individual fund classifications.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the statistical section of this report and, accordingly, we express no opinion on such data.

Touche Ross & Co.

Certified Public Accountants
January 4, 1989

The GAAP basis financial statements are so named because they are prepared in compliance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

The Commonwealths' GAAP basis financial statements include the various departments, agencies, boards, and commissions governed by the legislature, judiciary and/or constitutional officers of the Commonwealth of Massachusetts and the fifteen independent authorities and other organizations over which oversight authority is exercised.

COMMONWEALTH OF MASSACHUSETTS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1988

(Amounts in thousands)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	1988	1987
Cash and short-term investments	$ 610,421	$ 382,031	$18,963	$ -	$ 118,568	$ 813,200	$ -	$ -	$ 1,943,183	$ 2,504,194
Amount on deposit with U.S. Treasury	-	-	-	-	-	1,145,824	-	-	1,145,824	1,058,990
Investments	-	584,361	-	-	133,532	6,314,185	-	-	7,032,078	6,416,302
Securities on deposit	-	-	-	-	-	786,601	-	-	786,601	650,930
Receivables, net of allowance for uncollectibles:										
Taxes	540,094	322,264	-	-	-	-	-	-	862,358	918,819
Due from federal government	414,448	26,408	-	60,648	9,405	-	-	-	510,909	405,450
Loans	-	-	-	-	18,245	-	-	-	18,245	19,904
Other receivables	68,698	5,967	-	-	52,952	229,673	-	-	357,290	419,187
Due from cities and towns	167,000	3,831	-	-	-	-	-	-	170,831	163,511
Due from other funds	-	17,693	-	-	241,981	-	-	-	259,674	200,944
Inventory (at cost)	-	-	-	-	44,621	-	-	-	44,621	37,087
Investments of deferred compensation plan	-	-	-	-	-	317,315	-	-	317,315	237,195
Fixed assets	-	-	-	-	6,277,278	-	2,624,931	-	8,902,209	8,369,647
Restricted and other assets	-	-	-	-	391,225	-	-	-	391,225	407,544
Amount available for retirement of long-term obligations	-	-	-	-	-	-	-	-	-	385
Amount to be provided for retirement of long-term obligations	-	-	-	-	-	-	-	5,513,316	5,513,316	5,281,094
Total assets	$1,800,661	$1,342,555	$18,963	$60,648	$7,287,807	$9,606,798	$2,624,931	$5,513,316	$28,255,679	$27,091,183

COMMONWEALTH OF MASSACHUSETTS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
LIABILITIES AND FUND EQUITY	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-term Obligations	1988	1987
Liabilities:										
Deficiency in cash and short-term investments	$ -	$ -	$ -	$629,376	$ -	$ -	$ -	$ -	$ 629,376	$ 514,690
Accounts payable	1,002,122	177,987	-	183,318	84,398	107,369	-	-	1,475,204	1,469,485
Tax refunds and abatements payable	311,461	207,640	-	-	-	-	-	-	519,101	330,627
Other accrued liabilities	235,160	24,456	-	1,913	160,683	20,366	-	64,206	506,784	480,900
Due to other funds	197,481	44,500	-	-	17,693	-	-	-	259,674	200,944
Deferred revenue	57,758	26,381	-	7,004	83,082	1,186	-	-	175,403	247,557
Prizes payable	-	584,361	-	-	-	-	-	-	584,361	490,965
Liabilities due depositors	116	-	-	-	-	2,001,807	-	-	2,001,923	1,712,843
Bonds matured - not redeemed	-	-	4,772	-	-	-	-	-	4,772	20,750
Bonds and notes payable	106,000	-	-	183,000	1,963,303	-	-	4,390,284	6,563,387	5,840,065
School construction grants	-	-	-	-	-	-	-	957,727	957,727	991,808
Compensated absences	-	-	-	-	-	-	-	101,099	101,099	103,409
Total liabilities	1,910,098	1,065,335	4,772	845,491	2,309,879	2,130,728	-	5,513,316	13,778,811	12,404,043
Fund equity:										
Investment in general fixed assets	-	-	-	-	-	-	2,624,931	-	2,624,931	2,585,391
Contributed capital	-	-	-	-	4,772,550	-	-	-	4,772,550	4,587,303
Retained earnings:										
Reserved	-	-	-	-	22,632	-	-	-	22,632	20,332
Unreserved	-	-	-	-	183,546	-	-	-	183,546	170,277
Fund balances (deficit):										
Reserved for:										
Due from cities and towns	-	3,831	-	-	-	-	-	-	3,831	4,511
Unemployment benefits	-	-	-	-	-	1,238,428	-	-	1,238,428	1,157,389
Pension benefits	-	-	-	-	-	6,018,996	-	-	6,018,996	5,691,133
Unreserved	(109,429)	273,389	14,191	(784,843)	-	218,646	-	-	(388,046)	470,804
Total fund equity (deficit)	(109,429)	277,220	14,191	(784,843)	4,978,728	7,476,070	2,624,931	-	14,476,868	14,687,140
Total liabilities and fund equity	$1,800,669	$1,342,555	$18,963	$ 60,648	$7,287,807	$9,606,798	$2,624,931	$5,513,316	$28,255,679	$27,091,183

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1988	1987
Revenues:							
Taxes	$5,078,602	$2,954,221	$ -	$ -	$467,091	$ 8,499,914	$ 8,395,691
Assessments	157,300	2,346	-	-	-	159,646	199,350
Federal grants and reimbursements	1,544,351	937,267	-	151,450	115,985	2,749,053	2,464,280
Departmental	569,867	1,601,523	-	256	178,985	2,350,631	2,170,012
Miscellaneous	122,589	45,110	-	1,056	162,757	331,512	163,447
Total revenues	7,472,709	5,540,467	-	152,762	924,818	14,090,756	13,392,780
Other financing sources:							
Proceeds of general obligation bonds	-	-	-	576,352	-	576,352	353,104
Proceeds of refunding bonds	-	-	-	-	-	-	526,074
Transfers in	225,271	644,726	539,214	-	7,678	1,416,889	1,680,108
Other sources	-	17,889	20,632	-	-	38,521	-
Total other financing sources	225,271	662,615	559,846	576,352	7,678	2,031,762	2,559,286
Total revenues and other sources	7,697,980	6,203,082	559,846	729,114	932,496	16,122,518	15,952,066
Expenditures:							
Legislature	47,745	-	-	124	-	47,869	242,681
Inspector General	1,232	-	-	-	-	1,232	2,760
Judiciary	58,721	211,592	-	55	9	270,377	53,244
Executive	5,911	5	-	17	-	5,933	3,598
Secretary of the Commonwealth	13,029	350	-	703	6	14,088	14,497
Treasurer and Receiver - General	123,796	1,986,783	-	-	-	2,110,579	1,657,322
Auditor of the Commonwealth	12,631	-	-	-	-	12,631	10,778
Attorney General	91,477	739	-	-	2,907	95,123	28,540
Ethics commission	973	-	-	-	-	973	950
District Attorney	24,281	55,938	-	-	58	80,277	41,533
Administration and finance	635,382	133,621	-	149,922	3,070	921,995	1,206,387
Environmental affairs	79,475	120,130	-	210,874	1,665	412,144	328,979
Communities and development	162,888	187,779	-	128,403	550	479,620	403,302
Human services	4,446,053	230,140	-	11,866	6,485	4,694,544	4,279,730
Transportation and construction	16,534	122,834	-	336,217	1,436	477,021	584,251
Education	53,723	1,908,150	-	2,216	4,167	1,968,256	1,841,288
Higher education	841,566	6,831	-	25,800	313,444	1,187,641	1,194,072
Public safety	39,815	121,736	-	136	401	162,088	129,641

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1988	1987
Expenditures (continued):							
Economic affairs	52,771	123,189	-	-	483,533	659,493	618,714
Elder affairs	127,799	17,445	-	-	70	145,314	165,195
Consumer affairs	26,614	2,975	-	267	451	30,307	30,011
Energy resources	2,738	12,543	-	2,213	2	17,496	9,032
Labor	18,240	840	-	28	7,746	26,854	20,311
Independent commissions	7,811	27,053	-	-	-	34,864	32,851
Pension	235,576	316,398	-	-	-	551,974	488,504
Debt service:							
Principal retirement	11,759	-	269,479	-	-	281,238	263,685
Interest and fiscal charges	17,492	-	269,735	-	-	287,227	266,409
Total expenditures	7,156,032	5,587,071	539,214	868,841	826,000	14,977,158	13,918,265
Other financing uses:							
Transfers out:							
Payments to refunded bonds escrow agents	-	-	-	-	-	-	526,074
Debt service-principal	192,930	76,549	-	-	-	269,479	256,485
Debt service-interest	198,428	71,307	-	-	-	269,735	260,340
Pension	35,726	12,500	-	-	-	48,226	133,935
Fund deficit support	231,027	-	-	-	-	231,027	361,161
Other	388,718	684,186	-	14,866	1,269	1,089,039	642,240
Other uses	-	3,150	6,826	8,098	-	18,074	17,533
Total other financing uses	1,046,829	847,692	6,826	22,964	1,269	1,925,580	2,197,768
Total expenditures and other uses	8,202,861	6,434,763	546,040	891,805	827,269	16,902,738	16,116,033
Excess (deficiency) of revenues and other sources over expenditures and other uses	(504,881)	(231,681)	13,806	(162,691)	105,227	(780,220)	(163,967)
Fund equity (deficit) at beginning of year	395,452	508,901	385	(622,152)	1,327,892	1,610,478	1,774,445
Fund equity (deficit) at end of year	($ 109,429)	$ 277,220	$ 14,191	($784,843)	$1,433,119	$ 830,258	$ 1,610,478

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Taxes	$5,264,151	$5,264,151	$ -	$3,010,712	$3,010,712	$ -	$ 8,274,863	$ 8,274,863	$ -
Assessments	146,600	146,600	-	2,346	2,346	-	148,946	148,946	-
Federal grants and reimbursements	1,418,879	1,418,879	-	74,946	74,946	-	1,493,825	1,493,825	-
Departmental	464,791	464,791	-	206,498	206,498	-	671,289	671,289	-
Miscellaneous	124,795	124,795	-	28,933	28,933	-	153,728	153,728	-
Total revenues	7,419,216	7,419,216	-	3,323,435	3,323,435	-	10,742,651	10,742,651	-
Other financing sources:									
Transfers in	225,271	225,271	-	632,800	632,800	-	858,071	858,071	-
Accounts payable balances reverted	52,521	52,521	-	15,120	15,120	-	67,641	67,641	-
Other sources	18,986	18,986	-	-	-	-	18,986	18,986	-
Total other financing sources	296,778	296,778	-	647,920	647,920	-	944,698	944,698	-
Total revenues and other sources	7,715,994	7,715,994	-	3,971,355	3,971,355	-	11,687,349	11,687,349	-
Expenditures:									
Legislature	59,774	48,148	11,626	-	-	-	59,774	48,148	11,626
Inspector General	1,357	1,203	154	-	-	-	1,357	1,203	154
Judiciary	44,591	37,826	6,765	227,372	213,647	13,725	271,963	251,473	20,490
Executive	6,117	5,808	309	-	-	-	6,117	5,808	309
Secretary of the Commonwealth	13,789	12,129	1,660	-	-	-	13,789	12,129	1,660
Treasurer and Receiver - General	70,372	70,105	267	1,033,111	1,032,981	130	1,103,483	1,103,086	397
Auditor of the Commonwealth	12,591	12,495	96	-	-	-	12,591	12,495	96
Attorney General	18,840	17,849	991	845	420	425	19,685	18,269	1,416
Ethics commission	992	982	10	-	-	-	992	982	10
District Attorney	60,887	57,522	3,365	23,618	23,003	615	84,505	80,525	3,980
Administration and finance	834,847	809,969	24,878	159,512	142,806	16,706	994,359	952,775	41,584
Environmental affairs	96,166	79,776	16,390	124,065	97,435	26,630	220,231	177,211	43,020
Communities and development	177,597	166,441	11,156	63,710	37,939	25,771	241,307	204,380	36,927
Human services	4,564,003	4,431,018	132,985	12,613	8,842	3,771	4,576,616	4,439,860	136,756
Transportation and construction	170,820	159,916	10,904	268,060	188,603	79,457	438,880	348,519	90,361
Education	66,484	52,652	13,832	1,683,672	1,675,829	7,843	1,750,156	1,728,481	21,675

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):									
Higher education	866,182	745,816	120,366	200	29	171	866,382	745,845	120,537
Public safety	48,492	41,371	7,121	108,926	106,483	2,443	157,418	147,854	9,564
Economic affairs	60,056	52,222	7,834	-	-	-	60,056	52,222	7,834
Elder affairs	144,117	136,376	7,741	-	-	-	144,117	136,376	7,741
Consumer affairs	28,545	26,849	1,696	3,025	2,911	114	31,570	29,760	1,810
Energy resources	2,943	2,579	364	74,311	13,621	60,690	77,254	16,200	61,054
Labor	21,507	18,538	2,969	-	-	-	21,507	18,538	2,969
Independent commissions	8,858	3,861	4,997	22,877	22,850	27	31,735	26,711	5,024
Pension	249,206	235,576	13,630	330,401	316,398	14,003	579,607	551,974	27,633
Debt service:									
Principal retirement	11,759	11,759	-	-	-	-	11,759	11,759	-
Interest and fiscal charges	17,492	17,492	-	-	-	-	17,492	17,492	-
Total expenditures	7,658,384	7,256,278	402,106	4,136,318	3,883,797	252,521	11,794,702	11,140,075	654,627
Other financing uses:									
Transfers out:									
Debt service-principal	192,930	192,930	-	76,004	76,549	(545)	268,934	269,479	(545)
Debt service-interest	190,317	198,428	(8,111)	71,306	71,306	-	261,623	269,734	(8,111)
Pension	35,726	35,726	-	12,500	12,500	-	48,226	48,226	-
Fund deficit support	-	231,027	(231,027)	-	-	-	-	231,027	(231,027)
Other	5,998	24,757	(18,759)	36,590	127,790	(91,200)	42,588	152,547	(109,959)
Total other financing uses	424,971	682,868	(257,897)	196,400	288,145	(91,745)	621,371	971,013	(349,642)
Total expenditures and other uses	8,083,355	7,939,146	144,209	4,332,718	4,171,942	160,776	12,416,073	12,111,088	304,985
Excess of expenditures and other uses over revenues and other sources	(367,361)	(223,152)	144,209	(361,363)	(200,587)	160,776	(728,724)	(423,739)	304,985
Fund equity at beginning of year	545,212	545,212	-	303,370	303,370	-	848,582	848,582	-
Fund equity (deficit) at end of year	$ 177,851	$ 322,060	$144,209	($ 57,993)	$ 102,783	$160,776	$ 119,858	$ 424,843	$304,985

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY - ENTERPRISE FUNDS,
NONEXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)	
	Enterprise Funds	Nonexpendable Trust Fund	Pension Trust Funds	1988	1987
Revenues:					
Departmental	$ -	$2,801	$ -	$ 2,801	$ 780
Employee contributions	-	-	306,472	306,472	293,400
Investment earnings	-	145	134,601	134,746	551,505
Charges for services	394,709	-	-	394,709	354,537
Donations	5,034	-	-	5,034	4,972
Total revenues	399,743	2,946	441,073	843,762	1,205,194
Expenses:					
Environmental affairs	-	169	-	169	118
Higher education	-	1,039	-	1,039	56
Other governmental charges	-	-	161,436	161,436	184,152
Operating expenses:					
Cost of services	702,775	-	-	702,775	637,016
Depreciation	140,970	-	-	140,970	135,746
Total expenses	843,745	1,208	161,436	1,006,389	957,088
Operating income (loss)	(444,002)	1,738	279,637	(162,627)	248,106
Nonoperating revenues (expenses):					
Operating grants	35,361	-	-	35,361	34,809
Interest income	25,705	-	-	25,705	26,271
Other revenues	7,625	-	-	7,625	8,662
Interest expense	(114,335)	-	-	(114,335)	(105,860)
Other expenses	(32,545)	-	-	(32,545)	(30,337)
Total nonoperating expenses	(78,189)	-	-	(78,189)	(66,455)

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY - ENTERPRISE FUNDS,
NONEXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)	
	Enterprise Funds	Nonexpendable Trust Fund	Pension Trust Funds	1988	1987
Income (loss) before transfers and extraordinary item	(522,191)	1,738	279,637	(240,816)	181,651
Transfers and extraordinary item:					
Transfers in	442,400	-	154,026	596,426	646,954
Transfers out	-	(9)	(105,800)	(105,809)	(129,153)
Extraordinary item - loss on defeasance	-	-	-	-	(10,115)
Total transfers and extraordinary item	442,400	(9)	48,226	490,617	507,686
Net income (loss)	(79,791)	1,729	327,863	249,801	689,337
Add: Inventory valuation adjustment of assets acquired from contributed capital	-	-	-	-	4,680
Add: Depreciation of cost of assets acquired from contributed capital	95,360	-	-	95,360	99,158
Increase in retained earnings/fund equity	15,569	1,729	327,863	345,161	793,175
Retained earnings/fund equity at beginning of year	190,609	22,226	5,691,133	5,903,968	5,110,793
Retained earnings/fund equity at end of year	$206,178	$23,955	$6,018,996	$6,249,129	$5,903,968

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION - ENTERPRISE FUNDS, NONEXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)	
	Enterprise Funds	Nonexpendable Trust Fund	Pension Trust Funds	1988	1987
Sources of financial resources:					
Operations:					
Net income (loss)	($ 79,791)	$1,729	$327,863	$ 249,801	689,337
Expenses not requiring current outlay of financial resources:					
Depreciation and amortization	140,970	-	-	140,970	135,746
Loss on defeasance	-	-	-	-	10,115
Total sources of financial resources from operations	61,179	1,729	327,863	390,771	835,198
Increase (decrease) in accounts payable	23,458	-	3,887	27,345	(1,642)
Increase in other accrued liabilities	27,023	-	-	27,023	31,403
Increase (decrease) in due to other funds	(1,602)	-	41,041	39,439	61,966
Increase (decrease) in deferred revenue	(37,026)	-	-	(37,026)	22,799
Issuance of bonds and notes payable	629,800	-	-	629,800	183,847
Contributed capital	280,607	-	-	280,607	205,245
Total sources of financial resources	983,439	1,729	372,791	1,357,959	1,338,816
Uses of financial resources:					
Increase in investments	1,720	-	520,660	522,380	1,162,418
Increase (decrease) in receivables	(716)	1,592	5,061	5,937	(82,220)
Increase (decrease) in due from other funds	74,483	-	(14,151)	60,332	(210,385)
Increase (decrease) in inventory	7,534	-	-	7,534	(3,697)
Decrease in restricted and other assets	(15,399)	-	-	(15,399)	(139,763)
Acquisition of fixed assets	634,182	-	-	634,182	442,157
Retirement of bonds and notes payable	250,144	-	-	250,144	191,259
Other	-	-	-	-	901
Total uses of financial resources	951,948	1,592	511,570	1,465,110	1,360,670
Increase (decrease) in cash and short-term investments	$ 31,491	$ 137	($138,779)	($ 107,151)	($ 21,854)

See notes to general purpose financial statements.

1. Financial Statement Presentation:

Introduction:

The accompanying general purpose financial statements of the Commonwealth of Massachusetts present the financial position of the various fund types and account groups, the results of operations of the various fund types and the changes in financial position of the enterprise funds, nonexpendable trust fund, and pension trust funds in compliance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

Reporting Entity:

The general purpose financial statements include the various departments, agencies, boards, and commissions governed by the legislature, judiciary and/or constitutional officers of the Commonwealth of Massachusetts and the fifteen independent authorities and other organizations over which oversight authority is exercised. These entities, which are included as Enterprise Funds, were selected based on the following criteria outlining the ability to exercise oversight responsibility, as defined by the GASB:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters
- Scope of public service
- Special financing relationships

These fifteen entities include:

Massachusetts Bay Transportation Authority, which provides public transportation services in the Greater Boston Metropolitan Area.

Massachusetts Convention Center Authority, which owns and operates the John B. Hynes Veterans Memorial Convention Center and the Boston Common Parking Garage.

Massachusetts Water Resources Authority, which provides water supply services and sewage collection, treatment and disposal services to areas of the Commonwealth.

1. Financial Statement Presentation (Continued):

Reporting Entity (Continued):

Higher Education Building Authorities, which provide, maintain and operate dormitories, dining commons and other buildings and structures of the Universities and Colleges. The following are combined as "Higher Education Building Authorities":

- Massachusetts State College Building Authority
- Southeastern Massachusetts University Building Authority
- University of Lowell Building Authority
- University of Massachusetts Building Authority

The following entities are combined as "Other" Enterprise Funds:

Bay State Skills Corporation, which funds training programs in occupations found to be in high demand.

Government Land Bank, which aids public agencies and private enterprise in converting and developing surplus federal and state property and other substandard property in Massachusetts.

Massachusetts Community Development Finance Corporation, which invests in business enterprises located in economically depressed areas of Massachusetts, in conjunction with local community development corporations.

Massachusetts Industrial Finance Agency, which insures industrial mortgage loans and revenue bonds and approves and/or issues industrial revenue bonds in order to stimulate industrial growth and economic development.

Massachusetts Technology Development Corporation, which provides financial and other assistance to innovative enterprises in Massachusetts which have the potential to expand and generate new jobs and tax revenues.

Massachusetts Technology Park Corporation, which creates, and then will operate, Centers for Excellence designed to foster economic development within the Commonwealth in conjunction with Massachusetts colleges and universities.

1. **Financial Statement Presentation (Continued):**

Reporting Entity (Continued):

University of Massachusetts Medical School - Group Practice Plan, which includes the activities of the University of Massachusetts Medical School Teaching Hospital's clinical faculty.

University of Massachusetts Medical School Teaching Hospital Trust Fund, which includes the activities of the University of Massachusetts Medical School Teaching Hospital.

The accompanying general purpose financial statements do not include the Massachusetts Home Finance Agency, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority, Massachusetts Port Authority or Massachusetts Turnpike Authority, as these entities do not meet the criteria for inclusion defined by the GASB.

Fund Accounting:

The Commonwealth records its transactions in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have been materially eliminated. The funds and account groups are organized into four categories as follows:

Governmental Fund Types:

Governmental Funds are those through which most governmental functions of the Commonwealth are financed. The acquisition, use and balances of the Commonwealth's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is on determination of changes in financial position rather than on net income.

General Fund - is the general operating fund of the Commonwealth. It is used to account for all financial resources except those required to be accounted for in another fund. For financial statement purposes, the fund equity recorded in the Program Stabilization Fund is included in General Fund unreserved fund balance.

1. **Financial Statement Presentation (Continued):**

Governmental Fund Types (Continued):

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than debt service, trusts or capital projects funds) such as federal grants, that are legally restricted to expenditures for specified purposes.

Debt Service Funds - are used to account for the accumulation of resources for, and the future payment of, general long-term debt principal and interest, except for mini-bond payments, which are made from the General Fund.

Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital assets. Such resources are derived principally from proceeds of general obligation bonds and from federal reimbursements.

The Commonwealth enters into long-term contracts for construction of major capital projects. The Commonwealth pays the cost of capital projects principally from resources obtained from general obligation bond proceeds and federal grants and reimbursements. Bond proceeds are generally received after the expenditure has been incurred. Accordingly, the fund equity of the capital projects funds reflects a deficit.

Proprietary Fund Type:

Enterprise Funds - are used to account for all operations of the fifteen authorities and other organizations included within the Commonwealth's general purpose financial statements. The measurement focus is on the determination of net income.

1. **Financial Statement Presentation (Continued):**

Fiduciary Fund Type:

Fiduciary Funds - are used to account for assets held by the Commonwealth in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units, and/or other funds. Trust Funds include Expendable Trust Funds, Nonexpendable Trust Fund, and Pension Trust Funds. Nonexpendable Trust Funds and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The measurement focus is on the determination of net income. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds with the measurement focus on changes in financial position rather than income. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Expendable Trust Funds - include certain trust funds of the state colleges and universities and the Unemployment Compensation Fund, which accounts for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.

Nonexpendable Trust Fund - includes the Metropolitan District Trust and the endowment funds of the state colleges and universities.

Pension Trust Funds - include the State Employees and Teachers Annuities Funds, the State Employees and Teachers Retirement Military Accumulation Funds and the Pension Reserve Fund.

Agency Funds - include the cities and towns portion of the Pension Reserve Fund and the portion of the Massachusetts Municipal Depository Trust belonging to participants other than the Commonwealth.

Account Groups:

Account Groups - are used to establish control and accountability over the Commonwealth's general fixed assets and long-term obligations. The fixed assets and long-term obligations of the fifteen authorities and other organizations comprising the Commonwealth's Enterprise Funds are reported under Enterprise Funds. The Commonwealth's account groups are as follows:

1. **Financial Statement Presentation (Continued):**

Account Groups (Continued):

General Fixed Assets Account Group - is used to account for general fixed assets. General fixed assets are recorded as expenditures in the appropriate fund and capitalized annually in the General Fixed Assets Account Group in the year purchased. Land and buildings are recorded at their most recent locally assessed valuations (June 30, 1984) while machinery and equipment are recorded at cost or estimated cost. Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) has not been capitalized. No depreciation is provided on general fixed assets.

Enterprise Fund fixed assets are capitalized upon purchase and depreciated over the estimated useful life of the asset. The estimated useful lives are as follows:

Structures and improvements	10 - 100 years
Equipment	3 - 20 years

General Long-term Obligations Account Group - is used to account for general obligation bonds payable, school construction grants, compensated absences and claims and judgments related to governmental activities.

2. **Summary of Significant Accounting Policies:**

The accounting policies followed in preparing the accompanying general purpose financial statements are described below:

Basis of Accounting:

Governmental Fund Types, Expendable Trust Funds and Agency Funds are accounted for on the modified accrual basis of accounting.

2. Summary of Significant Accounting Policies (Continued):

Under the modified accrual basis of accounting, revenues are recorded in the period that they become both measurable and available. Available means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues not considered available within twelve months are recorded as deferred revenue. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Taxes receivable which represent the estimated amounts due to the Commonwealth on previous filings, over or under withholdings and estimated payments, and tax refunds and abatements payable are all recorded as adjustments to tax revenues. Expenditures are recorded in the period in which the liability is incurred, except for interest on general long-term obligations, which is recorded when paid.

Enterprise Funds, the Nonexpendable Trust Fund and Pension Trust Funds are accounted for on the accrual basis of accounting.

Earnings on Pooled Cash:

The Commonwealth follows the practice of pooling cash and cash equivalents of all fund types. Cash equivalents consist of short-term investments and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and Expendable Trust Funds.

Investments:

Pension Trust Fund and Deferred Compensation Plan investments are stated at market. All other investments are stated at cost.

Receivables:

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due to the Commonwealth as reimbursement for spending on federally funded programs are included as due from the federal government.

2. Summary of Significant Accounting Policies (Continued):

Inventories:

Inventories of materials and supplies are recorded as expenditures in Governmental Fund Types when purchased. Such inventories are not material in total to the general purpose financial statements. Inventories included within Enterprise Funds are stated at the lower of cost, on a first in, first out method, and market.

Interfund Transactions:

During the course of normal operations, the Commonwealth has numerous transactions between departments or between funds. Transactions of a buyer/seller nature between departments within a fund are materially eliminated from the individual fund statements. Transactions between funds which include pooled cash are recorded as adjustments to the funds' cash accounts and, thus, may result in a fund having a deficiency in cash and short-term investments at year end.

Additionally, in FY 88, the budget directed the General Fund to transfer sufficient funds to offset any fund balance deficits in the Local Aid and Highway Funds. These transfers are recorded as Fund Deficit Support.

Interfund receivables and payables include the following at June 30, 1988 (amounts expressed in thousands):

GENERAL FUND:	
Due to:	
Enterprise Funds:	
Massachusetts Bay Transportation Authority	$178,425
Massachusetts Convention Center Authority	12,947
Government Land Bank	6,109
Total	$197,481
SPECIAL REVENUE FUNDS:	
Due from:	
Enterprise Funds:	
Massachusetts Water Resources Authority	$ 17,693
Due to:	
Enterprise Funds:	
Massachusetts Bay Transportation Authority	$ 44,500

2. Summary of Significant Accounting Policies (Continued):

Interfund Transactions (Continued):

ENTERPRISE FUNDS:	
Due to:	
Special Revenue Funds	$ 17,693
Due from:	
General Fund	$197,481
Special Revenue Funds	44,500
	$241,981

Chapter 555 Tax Refund:

Chapter 62F as amended by Chapter 555, Acts of 1986 requires separate and distinct presentation of certain state tax revenue calculations. This law puts a tax cap on revenue growth and provides the opportunity for a tax refund to Commonwealth citizens once the cap is reached. The calculation of tax revenue and the tax refund, if any, is audited and certified by the State Auditor's Office. The certification for fiscal 1988 establishes that no refund was due. A refund of $29,221,000 was recorded as a liability in the year ended June 30, 1987, of which approximately half was not claimed.

Vacation and Sick Leave:

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rate of pay.

The Commonwealth's short-term liability for accumulated unpaid vacation and sick leave is reported in the appropriate fund, while the long-term liability is reported in the General Long-term Obligations Account Group.

Lottery Revenue and Prizes:

Revenues and prizes of the Massachusetts State Lottery and Massachusetts Arts Lottery are generally recognized as drawings are held. Certain prizes are payable in deferred installments for which the Commonwealth purchases annuities. These annuities are recorded as investments and

2. Summary of Significant Accounting Policies (Continued):

Lottery Revenue and Prizes (Continued):

prizes payable on the balance sheet. Most of the remaining revenue by statute is transferred to other funds for expenditure in accordance with legislative approval.

Insurance:

The Commonwealth self-insures for casualty, theft, tort claims and other losses. Such losses are recorded as expenditures when measurable. The Commonwealth has made no provision for losses which have been incurred but not reported.

Total Columns on Combined Statements:

Total columns on the combined statements are presented to aggregate financial data of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals, thus, they do not present consolidated information.

3. Budgetary Control:

The Governor presents an annual budget to the State Legislature representing estimates of revenues, expenditures and other financing sources and uses anticipated during the coming fiscal year. The Massachusetts Constitution requires that a balanced budget be submitted by the Governor to the State Legislature. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies in an annual appropriation bill. The Governor, before signing the bill, may veto any specific item, subject to legislative override. Changes to this budget may be made via supplemental appropriation bills or other legislative acts which must be approved by the Legislature and signed by the Governor.

Subsequent to June 30, 1988, the Legislature passed and the Governor signed Chapters 208 and 236, Acts of 1988. These Acts included several supplemental budgetary and capital appropriations, and also incorporated provisions which changed the methods of accounting for certain transactions, effective July 1, 1987, including: charging certain expenditures to Capital Projects Funds which had been previously included in various budgeted funds; and directing certain transfers to

3. **Budgetary Control (Continued):**

be made from various unbudgeted funds to the General Fund. For the year ending June 30, 1988, the Legislature approved increases in the original appropriations aggregating approximately $398,100,000.

The original budgeted revenues as submitted by the Governor are not amended to coincide with any legislative changes to the original expenditure budget, and, therefore, the Commonwealth does not have updated budgeted revenue totals for use in the accompanying financial statements. Accordingly, the Budget and Actual statements for the General Fund and Special Revenue Funds use actual revenues as the budgeted revenues.

The Commonwealth adopts two types of appropriations in the annual budget. The majority are lapsing appropriations which end each year and require annual reappropriation. The remaining appropriations are continuing appropriations where the Legislature has approved unspent funds in one year to be available for spending the next year.

The Office of the Comptroller has responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Expenditures or advance expenditure commitments (purchase orders) will not be approved by the Comptroller if they exceed the appropriation's total spending limit, which is a combination of authorized appropriations and portions of restricted receipts. In the Budget and Actual Statements for the General Fund and Special Revenue Funds, the budgeted expenditures represent the total spending authority, net of carry forward amounts in continuing appropriations for fiscal 1989.

Budget and Actual statements for the Special Revenue Funds are presented for only those funds for which a budget has been adopted. The basis of accounting for each budget is the modified cash basis. The Special Revenue Funds, disclosed individually with annual budgets are Highway, Local Aid, Government Land Bank, Victim and Witness Assistance, Mosquito and Greenhead Fly Control, Inland Fisheries and Game, Massachusetts Housing Partnership, Oil Overcharge and Hazardous Waste. The "other" funds include Freight Rail, Passenger Rail, JFK Library and Park, Anti-Trust Law Enforcement, Non-Game Wildlife, Economic Development, Inter-City Bus Capital Assistance, Federally Assisted Housing Bond Sinking and Motorcycle Safety.

COMMONWEALTH OF MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 1988

(Continued)

3. **Budgetary Control (Continued):**

The following table is a reconciliation of the fund equities of all fund types highlighting the major differences between the budgetary and GAAP basis of accounting (amounts expressed in thousands):

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust	Pension Trust
Excess (deficiency) of revenues and other financing sources over expenditures and other uses (budgetary basis)	($223,152)	($165,086)	($ 6,826)	($195,688)	$ -	$ 88,810	$322,802
Entity differences:							
Excess (deficiency) of revenues and other financing sources over expenditures and other uses for entities and college and university funds	988	-	-	-	(79,791)	-	-
Basis of accounting differences:							
Net increase (decrease) in taxes receivable	(100,953)	44,492	-	-	-	-	-
Net increase (decrease) in due from federal government	127,204	(3,834)	-	18,494	-	(46)	-
Net increase (decrease) in other receivables and asset accruals	(8,010)	56,405	-	-	-	28,808	5,061
Net decrease in tax refunds payable	(113,085)	(75,389)	-	-	-	-	-
Net (increase) decrease in other payables and accrued liabilities	(187,873)	(88,269)	20,632	14,503	-	(12,345)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses (GAAP basis)	($504,881)	($231,681)	$13,806	($162,691)	($79,791)	$105,227	$327,863

4. **Program Stabilization Fund:**

The Program Stabilization Fund was created to maintain a reserve from which appropriations may be made for the following specific purposes:

- To fund the difference between actual and allowable state revenues (as defined by the statute)
- To fund the state and local governments for actual reductions in federal financial assistance
- To provide funds for any event which threatens the health, safety or welfare of the citizens of the Commonwealth
- To provide funds for an event which threatens the fiscal stability of the Commonwealth or any of its political subdivisions

In the accompanying general purpose financial statements, the Commonwealth has accounted for this fund as part of the General Fund. The legislation limits the General Fund, Highway Fund and Local Aid Fund budgetary basis undesignated fund balances to 0.5% of the current fiscal year's budgetary basis state tax revenues. Any excess over this amount is transferred to the account "Designated for Program Stabilization" in the general purpose financial statements - budgetary basis. Amounts so designated as of June 30, 1988 total $112,312,000, including $37,321,000 designated in the year ended June 30, 1988. There have been no appropriations made from this account.

5. **Cash and Short-term Investments and Investments:**

The Commonwealth maintains a cash and short-term investment pool that is available for use by all funds, except the Enterprise Funds. Each fund type's equity in this pool is displayed on the combined balance sheet as cash and short-term investments and deficiency in cash and short-term investments. In addition, other deposits and investments are separately handled by several of the funds. The deposits and investments of the Enterprise Funds and the investments in pooled trusts for the Pension Trust Funds are held separately from those of other state funds.

5. Cash and Short-term Investments and Investments (Continued):

The Commonwealth has available an informal, unsecured line of credit arrangement with a bank, with interest charged at the prime rate plus 2%. At June 30, 1988, a total of $41,000,000 was outstanding under this facility, which was subsequently repaid. The facility has no maximum limit; subsequent to June 30, borrowings have fluctuated, with the maximum amount outstanding of approximately $190,000,000.

At year end, the carrying amount of the Commonwealth's deposits was approximately $281,077,000, and the bank balance was $291,785,000. Of the bank balance approximately $9,000,000 was covered by federal depository insurance and approximately $282,785,000 was uninsured and uncollateralized.

Investments in the Commonwealth's short-term investment pool are carried at cost which approximates market. Statutes authorize the Commonwealth to invest in obligations of the U.S. Treasury, authorized bonds of all states, banker's acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. In accordance with the provisions of Statement No. 3 of the GASB, investments are classified as to credit risk by the three categories described below:

Category 1: Insured or collateralized with securities held by the Commonwealth or its agent in the Commonwealth's name

Category 2: Collateralized with securities held by the counterparty's trust department or agent in the Commonwealth's name

Category 3: Uncollateralized or collateralized with securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name

5. Cash and Short-term Investments and Investments (Continued):

The pooled short-term investments at June 30, 1988, are as follows (amounts expressed in thousands):

	Category			Carrying Value	Market Value
	1	2	3		
Commercial paper	$ 79,062	$ -	$ -	$ 79,062	$ 79,062
Certificates of deposit	153,011	-	-	153,011	153,011
State Treasurer's investment pool	74,868	-	-	74,868	74,868
U.S. Treasury obligations	916	-	-	916	916
Total	$307,857	$ -	$ -	$307,857	$307,857

The bank deposits of the Enterprise Funds are held separately. At year end, deposits were approximately $153,850,000 of which approximately $10,780,000 was covered by federal depository insurance.

The investment policies of the Enterprise Funds are the same as the Commonwealth's except that they permit investment in equity securities. The investments at June 30, 1988, are as follows (amounts expressed in thousands):

	Category			Carrying Value	Market Value
	1	2	3		
Repurchase agreements	$ -	$ -	$48,860	$ 48,860	$ 48,860
U.S. Treasury obligations	122,460	15,062	-	137,522	137,522
Certificates of deposit	38,254	-	-	38,254	38,254
Equity securities	6,054	-	-	6,054	6,054
Notes	9,126	-	-	9,126	9,126
State Treasurer's investment pool	6,671	-	-	6,671	6,671
	$182,565	$15,062	$48,860	246,487	246,487
Money market investments				142,366	142,366
Mutual fund investments				1,927	1,927
Total				$390,780	$390,780

5. **Cash and Short-term Investments and Investments (Continued):**

The Pension Trust Funds have invested a significant portion of the net assets available for benefits in four pooled trusts (see Note 12). The trusts are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. The investments at June 30, 1988, are as follows (amounts expressed in thousands):

	Category			Carrying value	Market value
	1	2	3		
Equity securities (cost of $2,045,339)	$2,156,113	$ -	$ -	$2,156,113	$2,156,113
U.S. Treasury obligations	1,663,997	-	-	1,663,997	1,663,997
Fixed income securities	1,178,840	-	-	1,178,840	1,178,840
Other	39,941	-	-	39,941	39,941
	$5,038,891	$ -	$ -	5,038,891	5,038,891
Money market investments				919,513	919,513
Real estate investments				357,916	357,916
Total				$6,316,320	$6,316,320

6. **Capital Assets:**

Enterprise Funds:

Fixed assets of the fifteen authorities and other organizations comprising the Commonwealth's Enterprise Funds consisted of the following as of June 30, 1988 (amounts expressed in thousands):

	Depreciable assets	Nondepreciable assets
Land and improvements	$ -	$ 25,513
Structures and improvements	6,049,284	196,952
Equipment, furniture, fixtures and vehicles	108,594	-
	6,157,878	222,465
Less: accumulated depreciation	743,387	-
	5,414,491	222,465
Construction in progress	-	640,322
Total	$5,414,491	$862,787

6. Capital Assets (Continued):

General Fixed Assets:

The following is a statement of changes in General Fixed Assets for the year ended June 30, 1988 (amounts expressed in thousands):

	Balance June 30, 1987	Additions	Retirements	Balance June 30, 1988
Land	$ 579,619	$ -	$ -	$ 579,619
Buildings	1,512,399	-	-	1,512,399
Machinery and equipment	493,373	47,725	8,185	532,913
Total	$2,585,391	$47,725	$8,185	$2,624,931

The Commonwealth is in the process of upgrading its general fixed assets accounting systems and records to meet the standards required by GAAP. Until the project is satisfactorily completed, it is not practical to conduct an audit of the General Fixed Assets Account Group.

7. Bonds and Notes Payable:

Capital Projects Funds:

The Commonwealth of Massachusetts has issued Bond Anticipation Notes for the purpose of financing capital projects in anticipation of future bond offerings. Notes outstanding at June 30, 1988, were $103,800,000, with interest rates ranging from 4.6% to 5%.

Expendable Trust Funds:

The Commonwealth issues temporary notes and advances the proceeds to the Massachusetts Bay Transportation Authority and regional transit authorities. The transit authorities use the proceeds to meet operating deficits. The Commonwealth redeems the temporary notes through payments from cities and towns and future appropriations. Temporary notes outstanding at June 30, 1988, were $106,000,000 with an interest rate of 5.25%.

7. **Bonds and Notes Payable (Continued):**

Enterprise Funds:

Massachusetts Bay Transportation Authority -

General Transportation System Bonds:

The Authority has issued bonds to provide funds to finance the plant and equipment improvement program. Interest rates range from 2.9% to 13.63%, payable semiannually. Annual maturities of principal are as follows (amounts expressed in thousands):

Year ending June 30,	Amount
1989	$ 33,124
1990	34,194
1991	35,180
1992	36,180
1993	37,080
1994 and thereafter	863,864
Total	$1,039,622

The amounts above represent the face amount of bonds outstanding and differ from the amounts included in the combined balance sheet due to treatment of original issue discount in the accompanying financial statements as a reduction of the principal amount due.

The legislative act under which the Authority was established provides that, if at any time, the Authority is unable to meet any interest or principal due on any bond issued by the Authority, sufficient funds will be remitted by the Commonwealth of Massachusetts to meet such obligations.

7. **Bonds and Notes Payable (Continued):**

Enterprise Funds (Continued):

Boston Metropolitan District Bonds:

These bonds were issued for transit purposes prior to formation of the Authority. The bonds mature in annual installments through 2020 with interest rates ranging from 2.90% to 9.31%. Maturities of principal are as follows (amounts expressed in thousands):

Year ending June 30,	Amount
1989	$ 2,559
1990	2,489
1991	2,470
1992	2,470
1993	2,420
1994 and thereafter	58,764
Total	$71,172

Amounts shown above represent the face amount of bonds outstanding and differ from the amounts shown on the accompanying combined balance sheet due to treatment of original issue discount in the accompanying financial statements as a reduction of the principal amount due.

Notes Payable:

The aggregate amount of the Authority's notes payable at June 30, 1988, consisted of (amounts expressed in thousands):

Notes payable October 1, 1988 with interest rates of 5.7% and 6.0%	$100,000
Notes payable March 3, 1989 with interest rates of 5.2% to 5.7%	135,000
Total	$235,000

On September 30, 1988, $100,000,000 of maturing notes were refinanced by the issuance of new notes with the same face value, carrying interest rates of 6.5% and 7.0% which mature on October 2, 1989.

7. **Bonds and Notes Payable (Continued):**

Enterprise Funds (Continued):

On August 31, 1988, the Authority's Board approved the issuance of up to $175,000,000 of short-term notes. The notes will have various maturity dates and will be issued at current market rates. The notes are being issued in anticipation of the issuance of General Transportation System Bonds. The proceeds of the notes will be used to finance the capital improvement program.

Massachusetts Convention Center Authority -

The Authority issued bonds totalling $200 million to partially finance the renovation and expansion of the Hynes Auditorium. Bonds outstanding as of June 30, 1988, consisted of (amounts expressed in thousands):

Serial bonds maturing between 1988 and 2001, with interest rates ranging from 5.25% to 9.90%	$124,580
Term bonds maturing between 2001 and 2005, with interest rates ranging from 9.125% to 10%	52,245
Total	$176,825

Maturities of principal are as follows (amounts expressed in thousands):

Year ending June 30,	Amount
1989	$ 9,280
1990	9,935
1991	10,675
1992	11,500
1993	12,405
1994 and thereafter	123,030
Total	$176,825

The legislative act authorizing the issuance of debt securities by the Authority provides for participation by the Commonwealth of Massachusetts in the full payment of the annual debt service costs.

7. Bonds and Notes Payable (Continued):

Enterprise Funds (Continued):

Massachusetts Water Resources Authority -

The Authority issued bonds totaling $295 million, the proceeds of which were used in the transition of assets to the Authority. The amounts outstanding at June 30, 1988, are as follows (amounts expressed in thousands):

Series A, 5.25%, due July 1, 1989	$ 75,000
Series B, with interest rates ranging from 5% to 5.375%, due between July 1988 and June 1990	220,000
Less: unamortized issuance and discount costs	(1,728)
Total	$293,272

The Authority has entered into a Guaranty Agreement with the Commonwealth of Massachusetts to secure payment of certain notes issued by the Authority. As such, the Commonwealth may guarantee up to $600 million aggregate principal amount of notes issued by the Authority. Such securities must mature by June 30, 1990, except that notes issued in anticipation of revenue shall be payable no later than one year from their date of issuance. The Authority has issued $295 million of guaranteed notes as of June 30, 1988.

As of July 1, 1985, the Authority assumed responsibility to repay the Commonwealth for all principal and interest payments related to $141,703,000 of debt issued by the Commonwealth in connection with the Metropolitan District Commission sewer and waterworks prior to July 1, 1985. The Commonwealth's debt consists of approximately 140 different debt instruments with varying interest rates and maturity dates, and the Authority's share of principal payable amounted to $104,970,000 at June 30, 1988. These amounts have been included in the General Long-term Obligations Account Group of the Commonwealth and as contributed capital in the Enterprise Fund.

7. **Bonds and Notes Payable (Continued):**

Enterprise Funds (Continued):

Higher Education Building Authorities -

The Authorities have issued revenue and other bonds for the acquisition and construction of student housing and other facilities. Interest rates vary between 3% and 9.875%.

Approximate maturities of principal (amounts expressed in thousands) are as follows:

Year ending June 30,	Amount
1989	$ 2,467
1990	3,432
1991	3,583
1992	3,825
1993	4,002
1994 and thereafter	211,833
Total	$229,142

The enabling legislation relating to the Authorities provides for financial support from the Commonwealth of Massachusetts in the form of full faith and credit guarantees.

On October 5, 1988, the University of Massachusetts Building Authority issued bonds with a face value of approximately $23,855,000. The bonds were issued to finance a portion of the costs of construction of a multi-purpose facility, renovations to the stadium and certain other costs.

General Long-term Debt:

General obligation bonds of the Commonwealth are authorized and issued primarily to provide funds for state-owned capital projects and local government improvement. Under the constitution of the Commonwealth of Massachusetts, both houses of the Legislature approve, by a separate enabling act, a loan for a specific purpose or objective. Thereafter, the issuance of bonds is made for a specified amount for part or all of the loan authorized by a particular enabling act.

7. **Bonds and Notes Payable (Continued):**

General Long-term Debt (continued):

General obligation bonds are paid from the Debt Service Fund, backed by the full faith and credit of the Commonwealth, for the payment of the principal of and interest on the bonds.

General obligation bonds outstanding and bonds authorized but unissued as of June 30, 1988, are as follows (amounts expressed in thousands):

Purpose	Outstanding		Authorized unissued
	Interest rates	Amount	Amount
General fund	1.75% to 12.0%	$3,038,932	$4,768,098
Government land bank	5.0 % to 14.1%	20,481	6,332
Federally assisted housing	5.6 % to 9.0%	8,847	2,245
Highway fund	2.9 % to 12.0%	999,835	1,125,783
Inland fisheries and game	4.6%	150	-
State recreation areas	3.2 % to 12.0%	64,107	42,559
Metropolitan parks district	3.25% to 12.0%	74,300	50,806
Metropolitan sewerage district	1.75% to 9.9%	65,784	-
Metropolitan water district	.10% to 12.0%	86,658	-
Local aid	5.0% to 6.9%	31,190	1,343,569
Inter-city bus		-	5,000
Environmental challenge		-	17,000
Total		$4,390,284	$7,361,392

Changes in bonds authorized - unissued for the year ended June 30, 1988, are as follows (amounts expressed in thousands):

Balance, July 1, 1987	$4,251,696
Bond issuances (net of discount)	(576,348)
Increase in bonds authorized	3,692,334
Expiration of authorizations	(6,290)
Balance, June 30, 1988	$7,361,392

7. Bonds and Notes Payable (Continued):

General Long-term Debt (Continued):

As of June 30, 1988, general obligation bonded debt service requirements for principal and interest are as follows (amounts expressed in thousands):

Year ending June 30,	Principal	Interest	Total
1989	$ 297,016	$ 277,066	$ 574,082
1990	314,371	265,593	579,964
1991	333,786	249,960	583,746
1992	331,325	227,562	558,887
1993	323,145	207,017	530,162
1994 and thereafter	2,790,641	983,585	3,774,226
Total	$4,390,284	$2,210,783	$6,601,067

Changes in general obligation bonds for the year ended June 30, 1988, are as follows (amounts expressed in rounded thousands):

Fund	Outstanding as of July 1, 1987	Issuances	Retirements	Outstanding as of June 30, 1988	Maturity dates
General	$2,800,400	$282,900	$182,400	$2,900,900	1989-2008
Government land bank	22,000	-	1,500	20,500	1989-2007
Federally assisted housing	7,700	1,200	100	8,800	1989-2003
Highway	887,600	178,800	66,600	999,800	1989-2008
Local aid	14,800	17,100	700	31,200	1989-2008
Inland fisheries and game	200	-	-	200	1989-1991
State recreation areas	32,500	33,700	2,100	64,100	1989-2008
Total direct debt	3,765,200	513,700	253,400	4,025,500	
Metropolitan parks district	41,600	37,500	4,800	74,300	1989-2008
Metropolitan sewerage district	72,000	-	6,200	65,800	1989-2008
Metropolitan water district	92,800	-	6,200	86,600	1989-2015
Total district debt	206,400	37,500	17,200	226,700	
General mini bonds	117,900	33,100	12,900	138,100	1989-1993
Total long-term debt	$4,089,500	$584,300	$283,500	$4,390,300	

7. **Bonds and Notes Payable (Continued):**

General Long-term Debt (Continued):

The amounts for issuances above represent the face amount of the bonds issued, and differ from the amounts included in the combined statement of revenues, expenditures and changes in fund equity due to treatment of original issue discount.

Subsequent to June 30, 1988, the Commonwealth has issued $630,000,000 of General Obligation Bonds maturing between 1989 and 2008, with interest rates ranging from 6.7% to 7.5%. The Commonwealth has also issued $1,245,000,000 of Revenue Anticipation Notes, maturing at various times through January 1989, with interest rates ranging from 6.17% to 8.15%, including $625,000,000 borrowed from the Treasurer's Cash Management Trust.

8. **Changes in Long-term Obligations:**

Changes in long-term obligations for the year ended June 30, 1988, are summarized below (amounts expressed in thousands):

	General obligation bonds	School construction grants	Compensated absences	Claims and judgments
Balance, July 1, 1987	$4,089,518	$991,808	$103,409	$96,744
Bond issuances	584,346	-	-	-
Bond principal retirements	(283,580)	-	-	-
Net decrease in school construction grants	-	(34,081)	-	-
Net decrease in compensated absences	-	-	(2,310)	-
Net decrease in claims and judgments	-	-	-	(32,538)
Balance, June 30, 1988	$4,390,284	$957,727	$101,099	$64,206

9. **Fund Deficits:**

The general purpose financial statements include the following funds with fund deficits (amounts expressed in thousands):

Fund	Deficit Amount
General	$109,429
Highway	68,617
Anti-trust law enforcement	616
Federally assisted housing bond debt	5,830
Government land bank	2,921
Inter-city bus	1,392

Additionally, substantially all the Capital Projects Funds are in deficit, including the General Capital Projects Fund with a deficit of $393,864,000.

It is anticipated that these fund deficits will be reduced and eliminated by future revenue, appropriations, federal grants and reimbursements, and by future bond issuances.

10. **Adjustments to Fund Equity:**

For the fiscal year ended June 30, 1988, certain changes have been made to opening fund equity. Additionally, certain reclassifications have been made to the 1987 balances to conform to the presentation used in 1988.

The following schedule details the restatements made to fund equity as of June 30, 1987, (amounts expressed in thousands):

	Fund Type				
	General	Special Revenue	Expendable Trust	Enterprise Fund	Pension Trust
Fund equity at June 30, 1987, as previously reported	$453,162	$398,797	$1,407,217	$4,692,393	$5,760,579
To reclassify funds	(48,029)	110,104	(79,325)	17,250	-
To revise accounting for various other items	(9,681)	-	-	68,269	(69,446)
Fund equity at June 30, 1987, as restated	$395,452	$508,901	$1,327,892	$4,777,912	$5,691,133

11. **Segment Information - Enterprise Funds:**

Various segment activities included in Enterprise Funds are described in Note 1. Selected financial information with respect to these segments is as follows (amounts expressed in thousands):

	Segments					
	Trans-portation	Medical school	Water supply waste disposal	Conven-tions and parking	Housing	Economic develop-ment
Operating revenues	$ 118,202	$165,928	$ 103,187	$ 5,734	$ -	$ 6,692
Depreciation	82,402	6,876	43,683	4,321	23	3,665
Operating income (loss)	(417,731)	8,840	(10,416)	(5,491)	(8,924)	(10,280)
Nonoperating revenues (expenses)	(42,546)	(7,075)	(28,479)	(16,407)	(2,696)	19,014
Transfers in	392,189	4,975	-	18,209	17,093	9,934
Current capital contributions	204,662	-	35,898	11,979	-	28,068
Fixed asset additions	379,244	6,683	132,133	59,811	42,180	13,941
Total assets	3,694,258	132,232	2,656,943	306,721	339,288	158,365
Bonds and notes payable	1,264,064	-	293,272	176,825	229,142	-
Total capital	2,240,439	92,260	2,280,625	105,401	108,004	151,999

12. State Administered Retirement Systems:

Plan description -

There are two major Commonwealth administered retirement systems, one for substantially all employees of the Commonwealth and certain employees of the authorities included in the Proprietary Fund Type, the State Employees' Retirement System (SERS), and one for teachers of cities (except the City of Boston), towns, regional school districts and Quincy Junior College, the Teachers' Retirement System (TRS). As discussed below, the Commonwealth has also assumed responsibility for cost-of-living adjustments (COLA) granted to participants in retirement systems of cities, towns and counties.

The participants contribute a certain percentage of their compensation annually, determined by their date of employment as follows:

Year employed	Employee contribution rate
Prior to January 1, 1975	5%
1975 - 1983	7%
1984 and later	8%

Employees hired after December 31, 1978 contribute an additional 2% of their compensation in excess of $30,000.

The employer portion is determined primarily on a "pay-as-you-go" basis ($552,000,000 in fiscal year 1988). In addition to these required contributions in fiscal year 1988, the Commonwealth has dedicated part of the alcoholic beverage tax ($13,200,000), a portion of the federal grant reimbursements applicable to pension costs ($10,000,000) and has appropriated $25,000,000 towards the unfunded liability.

The employees of the fifteen independent authorities included within the Proprietary Fund Type participate in SERS or in one of eight separate retirement plans. These plans are primarily funded on an actuarial basis. Information available relating to these plans is as follows (amounts expressed in thousands):

Total pension benefit obligation	$972,496
Net assets available for benefits	900,551
Unfunded pension benefit obligation	$ 71,945

The contributions made to these plans totaled approximately $38,570,000 in fiscal year 1988.

12. **State Administered Retirement Systems:**

Funding status and progress -

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

Statement No. 5 of the GASB requires that actuarial valuations be performed at least biennially, with an actuarial update to the date 12 months after that biennial valuation. A new valuation is required if significant changes have been made to benefit provisions since the last valuation. The most recent actuarial valuation of the System was prepared by the Massachusetts Retirement Law Commission as of January 1, 1987. An actuarial update has not been prepared pending a new valuation incorporating the changes required by the Pension Reform Act (Chapter 697, Acts of 1987) discussed in 4 and 5 below.

Significant actuarial assumptions used in the valuation include:

1. Rate of investment return of 8% per annum, compounded annually.

2. Projected salary increases of 6% per annum, compounded annually with 4.5% attributable to inflation and 1.5% attributable to longevity, productivity and merit increases.

3. Annual cost-of-living increases of 3%.

12. State Administered Retirement Systems (Continued):

Funding status and progress (continued) -

4. A feature having a significant impact on the results of the valuation is the $30,000 pay cap. Under the provisions of the law in effect at the date of the valuation, for employees hired after December 31, 1978, pay in excess of $30,000 is not included when determining the amount of the participant's pension. While the majority of current employees do not make over $30,000, the pension benefit obligation is not based upon current pay, but rather estimated final average pay. Since salaries are assumed to increase at the rate of 6% a year, most employees are projected to earn significantly more than $30,000 by the time they retire. Accordingly, the projected benefit obligation does not reflect the entire benefit the employees would receive were it not for the $30,000 pay cap. Subsequent to the date of the valuation, the Pension Reform Act abolished the $30,000 pay cap.

5. The actuarial valuation was based on a 30 year amortization of the unfunded pension benefit obligation. The Pension Reform Act includes a provision for a 40 year amortization.

As of January 1, 1987, the unfunded pension benefit obligation was as follows (amounts expressed in thousands):

	SERS	TRS	Total
Pension benefit obligation:			
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$2,650,000	$2,319,000	$ 4,969,000
Current employees:			
Accumulated employee contributions including allocated investment income	1,025,000	1,204,000	2,229,000
Employer financed, vested	1,077,000	1,289,000	2,366,000
Employer financed, nonvested	1,502,000	1,519,000	3,021,000
Total pension benefit obligation	6,254,000	6,331,000	12,585,000
Net assets available for benefits, at market	2,515,000	2,670,000	5,185,000
Unfunded pension benefit obligation	$3,739,000	$3,661,000	$ 7,400,000

12. **State Administered Retirement Systems (Continued):**

Contributions requirements and contributions made -

Beginning in 1981, the Commonwealth assumed financial responsibility for the COLA granted to participants in retirement systems of cities, towns and counties. The last actuarially determined present value of future COLA accrued benefits granted to date was $950,750,000, based on information compiled as of January 1, 1983, updated through July 1, 1988. Any future COLA granted by the State Legislature to employees of these plans will also be the responsibility of the Commonwealth. Expenditures for COLA are recorded when paid to the local retirement systems. During fiscal year 1988, the Commonwealth funded $77,840,000 toward the COLA commitment.

The Pension Reform Act requires, among other items:

- preparation of a funding schedule which includes the amounts required to amortize the unfunded actuarial liability of the Commonwealth for pension obligations of SERS, TRS and COLA to local systems, over 40 years beginning July 1, 1988, and to provide for the annual change in the actuarially determined present value of pension benefits,

- a three-year update of these actuarial valuations; and

- a commitment by the Commonwealth to make appropriations in accordance with the funding schedule.

For the first ten years, the funding must at least equal the total estimated benefit costs each year. The current funding schedule to amortize the unfunded liability requires payments by the Commonwealth rising from $248,800,000 to $4,175,000,000 in fiscal years 1989 and 2028, respectively. This funding schedule is based on the most recent valuations referred to above.

The three-year and ten-year historical trend information required by Statement No. 5 of the GASB will be presented in future years as the data becomes available.

12. State Administered Retirement Systems (Continued):

Net plan assets -

For investment and management purposes, the Commonwealth has invested pension and retirement assets in the following pooled trusts:

- Treasurer's Fixed Income Securities Trust (TFIST) is a combined investment fund for SERS and TRS.
- Treasurer's Management Trust (TMT) is a combined investment fund for SERS and TRS.
- Pension Reserve Investment Trust (PRIT) serves as the investment portfolio for the assets of SERS, TRS and local retirement boards.
- Treasurer's Cash Management Trust (TCMT) is an investment trust for cash investments of the Commonwealth, trust funds, and funds under the custody of agencies and authorities of the Commonwealth.

Individual retirement systems' investments at market value in the pooled trusts are as follows (amounts expressed in thousands):

	TFIST	TMT	PRIT	TCMT	Total
State Employees Retirement System	$1,077,009	$ 649,329	$ -	$234,066	$1,960,404
Teachers' Retirement System	1,152,221	693,701	-	247,781	2,093,703
Pension Reserve Funds	-	-	2,260,078	-	2,260,078
Total	$2,229,230	$1,343,030	$2,260,078	$481,847	$6,314,185
Cost	$1,917,287	$1,092,331	$1,540,388	$481,847	$5,031,853

Included in the financial statements of TCMT is approximately $122,000,000 of investments by TFIST and TMT which have been eliminated in the above table.

13. **Deferred Compensation Plan:**

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Commonwealth, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commonwealth (without being restricted to the provision of benefits under the plan), subject only to the claims of the Commonwealth's general creditors. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. All assets and liabilities of the plan are stated at market value.

It is the opinion of the Commonwealth's legal counsel that the Commonwealth has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The plan assets are subject to the claims of the Commonwealth's general creditors; however, to the knowledge of legal counsel, no assets have been used in the past to satisfy such claims.

Of the $317,315,000 in the plan at June 30, 1988, $261,798,000 was applicable to the Commonwealth while the remaining $55,517,000 represents the assets of cities and towns participating in the plan. The assets and liabilities of the deferred compensation plan are included in Agency Funds at June 30, 1988.

14. Commitments:

The Commonwealth's future minimum rental commitments for office space and equipment leases accounted for as operating leases at June 30, 1988, are as follows (amounts expressed in thousands):

	Office space	Equipment	Total
1989	$ 42,906	$ 6,544	$ 49,450
1990	33,436	4,788	38,224
1991	25,763	1,559	27,322
1992	13,278	586	13,864
1993	6,106	203	6,309
Thereafter	415	15	430
	$121,904	$13,695	$135,599

The Commonwealth also rents space on a monthly basis as a tenant-at-will. It is likely the Commonwealth will continue to rent some or all of this space in subsequent fiscal years. Total rental payments under tenancies-at-will in the fiscal year ended June 30, 1988, were approximately $10,000,000. The Commonwealth's future obligation under capital leases are not material to the financial statements.

The Commonwealth is obliged to pay the Massachusetts Bay Transportation Authority (MBTA) and the fourteen regional transit authorities for their net cost of service (current expenses, including interest on debt, minus current income) and to advance funds sufficient to meet outstanding bonds and notes if funds are not otherwise available. The Commonwealth recovers a portion of these payments through assessments to cities and towns served by these authorities.

The MBTA has entered into several sale-leaseback agreements with major financial institutions (the lessor) covering equipment and rolling stock. The leases expire through 2013. Upon termination of the leases, the MBTA may purchase the equipment and rolling stock at prices equal to the lesser of a stated percentage (40%-70%) of the lessor's original purchase price or residual fair market value, as defined.

14. Commitments (Continued):

The leases have been accounted for as operating leases under generally accepted accounting principles. Future minimum lease payments, which are eligible for 90% state contract assistance, are as follows (amounts expressed in thousands):

Year ending June 30,	Amount
1989	$ 12,072
1990	12,072
1991	12,072
1992	12,072
1993	12,072
1994 and thereafter	252,690
	$313,050

At June 30, 1988, the University of Lowell Building Authority had commitments of $16,623,000 relating to the construction of dormitories.

At June 30, 1988, the Massachusetts Convention Center Authority had commitments of approximately $4,544,000 relating to the expansion of the Hynes Convention Center.

The Massachusetts Water Resources Authority (MWRA) had commitments of approximately $160,600,000 relating to a capital improvement program at June 30, 1988. Additionally, MWRA has been party to several state and federal lawsuits, by which it is required to comply with a detailed schedule of actions to achieve and maintain compliance with the requirements of the Clean Water Act. The Authority anticipates capital expenditures of approximately $6,000,000,000 between 1990 and 1999 based on certain preliminary assumptions and estimates. These estimates may change significantly as design and construction of the necessary facilities proceed. Funding is expected from various federal and state grants and debt issuance proceeds.

15. Contingencies:

There are a number of lawsuits pending or threatened against the Commonwealth which arose from the ordinary course of operations, including claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For those cases in which it is probable or reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General estimates the liability to be $167,266,000, of which $62,655,000, the portion expected to be paid in more than twelve months, is recorded in the General Long-term Obligations Account Group; the remainder is recorded in the General Fund. Of the total liability, approximately $60,000,000 relates to claims by certain acute-care hospitals challenging actions by the Rate Setting Commission.

Additionally, there are various cases currently before the Appellate Tax Board, with approximately $400,000,000 of collected taxes being contested. No accrual has been made for these amounts in the general purpose financial statements.

The Commonwealth receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which receives the grant. As of June 30, 1988, the Commonwealth estimates that nonmaterial liabilities, if any, will result from such audits.

The Commonwealth's Abandoned Property Law requires deposit of certain unclaimed assets into a managed Agency Fund. The statutes require the excess amount over $500,000 each June 30 to be remitted to the General Fund where it is included as miscellaneous revenue. Amounts remitted during fiscal year 1988 total $48,000,000. A total of approximately $165,000,000 has been remitted since inception of the fund, and represents a contingency since claims for refunds can be made by the owners of the property.

15. Contingencies (Continued):

The Commonwealth guarantees the debt of certain authorities and local governments. In addition to the guaranteed debt disclosed in Note 7, the outstanding guaranteed debt at June 30, 1988, is approximately $16,000,000 and $1,600,000 of debt issued by local housing authorities and the Town of Mashpee, respectively.

The Commonwealth also guarantees certain debt under statutory requirements. The debt so guaranteed at June 30, 1988, is approximately $2,000,000 and $21,500,000 issued by regional transit authorities and the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, respectively.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

GENERAL FUND

COMMONWEALTH OF MASSACHUSETTS

GENERAL FUND

COMPARATIVE BALANCE SHEETS

JUNE 30, 1988

(Amounts in thousands)

	1988	1987
ASSETS		
Cash and short-term investments	$ 610,421	$ 883,802
Receivables, net of allowance for uncollectibles:		
Taxes	540,094	641,047
Due from federal government	414,448	279,582
Other receivables	68,698	160,784
Due from cities and towns	167,000	159,000
Total assets	$1,800,661	$2,124,215
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$1,002,122	$1,014,688
Tax refunds and abatements payable	311,461	198,376
Other accrued liabilities	235,160	145,929
Due to other funds	197,481	148,578
Deferred revenue	57,750	113,225
Liabilities due depositors	116	3,967
Notes payable	106,000	104,000
Total liabilities	1,910,090	1,728,763
Fund equity (deficit):		
Unreserved	(109,429)	395,452
Total fund equity (deficit)	(109,429)	395,452
Total liabilities and fund equity	$1,800,661	$2,124,215

COMMONWEALTH OF MASSACHUSETTS

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988	1987
Revenues:		
Taxes	$5,078,602	$5,030,537
Assessments	157,300	195,551
Federal grants and reimbursements	1,544,351	1,445,791
Departmental	569,867	470,367
Miscellaneous	122,589	102,479
Total revenues	7,472,709	7,244,725
Other financing sources:		
Transfers in	225,271	441,619
Total revenues and other sources	7,697,980	7,686,344
Expenditures:		
Legislature	47,745	44,686
Inspector General	1,232	2,760
Judiciary	58,721	53,240
Executive	5,911	3,593
Secretary of the Commonwealth	13,029	13,876
Treasurer and Receiver - General	123,796	90,072
Auditor of the Commonwealth	12,631	10,778
Attorney General	91,477	28,037
Ethics commission	973	950
District Attorney	24,281	9,487
Administration and finance	635,382	684,207
Environmental affairs	79,475	80,634
Communities and development	162,888	134,572
Human services	4,446,053	4,073,143
Transportation and construction	16,534	26,997
Education	53,723	50,747

COMMONWEALTH OF MASSACHUSETTS

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	1988	1987
Expenditures (continued):		
Higher education	841,566	908,593
Public safety	39,815	33,611
Economic affairs	52,771	54,880
Elder affairs	127,799	135,162
Consumer affairs	26,614	24,364
Energy resources	2,738	2,250
Labor	18,240	17,513
Independent commissions	7,811	7,694
Pension	235,576	208,486
Debt service:		
Principal retirement	11,759	7,200
Interest and fiscal charges	17,492	6,069
Total expenditures	7,156,032	6,713,601
Other financing uses:		
Transfers out:		
Debt service-principal	192,930	193,096
Debt service-interest	198,428	200,401
Pension	35,726	92,157
Fund deficit support	231,027	361,161
Other	388,718	96,585
Other uses	-	17,533
Total other financing uses	1,046,829	960,933
Total expenditures and other uses	8,202,861	7,674,534
Excess (deficiency) of revenues and other sources over expenditures and other uses	(504,881)	11,810
Fund equity at beginning of year	395,452	383,642
Fund equity (deficit) at end of year	($ 109,429)	$ 395,452

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

SPECIAL REVENUE FUNDS

COMMONWEALTH OF MASSACHUSETTS

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1988

(Amounts in thousands)

ASSETS	Federal grants	Highway	Local aid	Arts and state lotteries	Other	Totals 1988	Totals 1987
Cash and short-term investments	$ 95,893	$ 5,550	$101,477	$ 74,279	$104,832	$ 382,031	$ 611,580
Investments	-	-	-	584,361	-	584,361	490,965
Receivables, net of allowance for uncollectibles:							
Taxes	-	-	322,264	-	-	322,264	277,772
Due from federal government	18,458	6,738	879	-	333	26,408	19,941
Other receivables	-	157	-	5,020	790	5,967	3,953
Due from other funds	-	-	-	-	17,693	17,693	19,295
Due from cities and towns	-		3,831	-	-	3,831	4,511
Total assets	$114,351	$12,445	$428,451	$663,660	$123,648	$1,342,555	$1,428,017
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	$ 50,960	$22,062	$ 89,272	$ 6,540	$ 9,163	$ 177,997	$173,403
Tax refunds and abatements payable	-	-	207,640	-	-	207,640	132,251
Other accrued liabilities	7,938	13,713	2,515	-	290	24,456	88,408
Due to other funds	-	44,500	-	-	-	44,500	33,071
Deferred revenue	-	787	25,594	-	-	26,381	1,018
Prizes payable	-	-	-	584,361	-	584,361	490,965
Total liabilities	58,898	81,062	325,021	590,901	9,453	1,065,335	919,116
Fund equity:							
Fund balances (deficit):							
Due from cities and towns	-	-	3,831	-	-	3,831	4,511
Unreserved	55,453	(68,617)	99,599	72,759	114,195	273,389	504,390
Total fund equity (deficit)	55,453	(68,617)	103,430	72,759	114,195	277,220	508,901
Total liabilities and fund equity	$114,351	$ 12,445	$428,451	$663,660	$123,648	$1,342,555	$1,428,017

COMMONWEALTH OF MASSACHUSETTS

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Federal grants	Highway	Local aid	Arts and state lotteries	Other	Totals 1988	Totals 1987
Revenues:							
Taxes	$ -	$296,412	$2,653,944	$ -	$ 3,865	$2,954,221	$2,939,406
Assessments	-	798	-	-	1,548	2,346	3,799
Federal grants and reimbursements	866,776	68,343	-	-	2,148	937,267	776,105
Departmental	95	191,932	609	1,389,805	19,082	1,601,523	1,493,049
Miscellaneous	369	1,700	14,424	5,359	23,258	45,110	4,126
Total revenues	867,240	559,185	2,668,977	1,395,164	49,901	5,540,467	5,216,485
Other financing sources:							
Transfers in	11,926	45	626,696	-	6,059	644,726	717,725
Other sources	-	5,803	12,086	-	-	17,889	-
Total other financing sources	11,926	5,848	638,782	-	6,059	662,615	717,725
Total revenues and other financing sources	879,166	565,033	3,307,759	1,395,164	55,960	6,203,082	5,934,210
Expenditures:							
Judiciary	65	-	211,527	-	-	211,592	197,866
Executive	5	-	-	-	-	5	-
Secretary of the Commonwealth	350	-	-	-	-	350	621
Treasurer and Receiver - General	321	2,598	1,075,609	907,764	491	1,986,783	1,520,471
Attorney General	21	-	-	-	718	739	384
District Attorney	946	362	51,091	-	3,539	55,938	32,046
Administration and finance	2,754	51,461	66,537	-	12,869	133,621	363,152
Environmental affairs	21,502	48,823	40,574	-	9,231	120,130	103,309
Communities and development	148,591	-	7,469	-	31,719	187,779	160,594
Human services	218,046	-	12,013	-	81	230,140	204,079
Transportation and construction	2,715	115,009	3,058	-	2,052	122,834	179,448
Education	228,468	-	1,679,682	-	-	1,908,150	1,793,552
Higher education	6,805	-	26	-	-	6,831	5,950
Public safety	14,017	106,035	1,684	-	-	121,736	95,415
Economic affairs	123,189	-	-	-	-	123,189	123,255
Elder affairs	17,445	-	-	-	-	17,445	29,932
Consumer affairs	3	2,972	-	-	-	2,975	1,796
Energy resources	737	-	-	-	11,806	12,543	2,347
Labor	840	-	-	-	-	840	614
Independent commissions	3,518	-	23,535	-	-	27,053	24,292
Pension	-	44,171	272,227	-	-	316,398	280,018
Total expenditures	790,338	371,431	3,445,032	907,764	72,506	5,587,071	5,119,141

COMMONWEALTH OF MASSACHUSETTS

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Federal grants	Highway	Local aid	Arts and state lotteries	Other	Totals 1988	Totals 1987
Other financing uses:							
Transfers out:							
Debt service-principal	-	66,040	7,661	-	2,848	76,549	63,389
Debt service-interest	-	61,874	7,508	-	1,925	71,307	59,939
Pension	-	-	12,500	-	-	12,500	41,778
Other	19,441	143,540	12,750	453,517	54,938	684,186	543,392
Other uses	-	3,150	-	-	-	3,150	-
Total other financing uses	19,441	274,604	40,419	453,517	59,711	847,692	708,498
Total expenditures and other financing uses	809,779	646,035	3,485,451	1,361,281	132,217	6,434,763	5,827,639
Excess (deficiency) of revenues and other sources over expenditures and other uses	69,387	(81,002)	(177,692)	33,883	(76,257)	(231,681)	106,571
Fund equity (deficit) at beginning of year	(13,934)	12,385	281,122	38,876	190,452	508,901	402,330
Fund equity (deficit) at end of year	$ 55,453	($ 68,617)	$ 103,430	$ 72,759	$114,195	$ 277,220	$ 508,901

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

CAPITAL PROJECT FUNDS

COMMONWEALTH OF MASSACHUSETTS

CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1988

(Amounts in thousands)

	General	Highway	Federal	Other	Totals 1988	Totals 1987
ASSETS						
Cash and short-term investments	$ -	$ -	$ -	$ -	$ -	$ 70,766
Receivables, net of allowance for uncollectibles:						
Due from federal government	-	-	60,648	-	60,648	95,549
Total assets	$ -	$ -	$60,648	$ -	$ 60,648	$166,315
LIABILITIES AND FUND DEFICIT						
Liabilities:						
Deficiency in cash and short-term investments	$320,816	$272,708	$17,657	$18,195	$629,376	$585,456
Accounts payable	37,379	18,068	36,983	10,888	103,318	127,472
Other accrued liabilities	69	-	1,817	27	1,913	941
Deferred revenue	-	-	7,084	-	7,084	11,698
Notes payable	35,600	62,600	-	5,600	103,800	62,900
Total liabilities	393,864	353,376	63,541	34,710	845,491	788,467
Total fund deficit:						
Unreserved	(393,864)	(353,376)	(2,893)	(34,710)	(784,843)	(622,152)
Total liabilities and fund deficit	$ -	$ -	$60,648	$ -	$ 60,648	$166,315

COMMONWEALTH OF MASSACHUSETTS

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	General	Highway	Federal	Other	Totals 1988	Totals 1987
Revenues:						
Federal grants and reimbursements	$ 149	$ -	$150,351	$ 950	$151,450	$ 135,639
Departmental	-	-	-	256	256	30
Miscellaneous	936	-	-	120	1,056	-
Total revenues	1,085	-	150,351	1,326	152,762	135,669
Other financing sources:						
Proceeds of general obligation bonds	312,257	173,796	-	90,299	576,352	353,104
Proceeds of refunding bonds	-	-	-	-	-	526,074
Total other financing sources	312,257	173,796	-	90,299	576,352	879,178
Total revenues and other sources	313,342	173,796	150,351	91,625	729,114	1,014,847
Expenditures:						
Legislature	124	-	-	-	124	129
Judiciary	55	-	-	-	55	-
Executive	17	-	-	-	17	-
Secretary of the Commonwealth	703	-	-	-	703	-
Administration and finance	128,315	1,312	15	20,280	149,922	151,555
Environmental affairs	152,596	25,430	-	32,848	210,874	142,795
Communities and development	122,460	-	-	5,943	128,403	102,147
Human services	11,486	-	-	380	11,866	(2,449)
Transportation and construction	13,737	81,945	240,363	172	336,217	376,438
Education	2,216	-	-	-	2,216	(5,624)
Higher education	25,800	-	-	-	25,800	5,115
Public safety	83	48	-	5	136	190
Consumer affairs	267	-	-	-	267	-
Energy resources	2,213	-	-	-	2,213	3,642
Labor	28	-	-	-	28	-
Total expenditures	460,100	108,735	240,378	59,628	868,841	773,938

COMMONWEALTH OF MASSACHUSETTS

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	General	Highway	Federal	Other	Totals 1988	Totals 1987
Other financing uses:						
Payments to refunded bonds escrow agents	-	-	-	-	-	526,074
Transfers out	11,212	45	3,179	430	14,866	2,114
Other	-	-	-	8,098	8,098	-
Total other financing uses	11,212	45	3,179	8,528	22,964	528,188
Total expenditures and other financing uses	471,312	108,780	243,557	68,156	891,805	1,302,126
Excess (deficiency) of revenues and other sources over expenditures and other uses	(157,970)	65,016	(93,206)	23,469	(162,691)	(287,279)
Fund equity (deficit) at beginning of year	(235,894)	(418,392)	90,313	(58,179)	(622,152)	(334,873)
Fund deficit at end of year	($393,864)	($353,376)	($ 2,893)	($34,710)	($784,843)	($ 622,152)

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

ENTERPRISE FUNDS

COMMONWEALTH OF MASSACHUSETTS

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1988

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Totals 1988	Totals 1987
ASSETS							
Cash and short-term investments	$ 10,128	$ 10,392	$ 15,118	$ 13,637	$ 69,293	$ 118,568	$ 87,077
Investments	-	1,585	-	101,331	30,616	133,532	131,812
Receivables, net of allowance for uncollectibles:							
Due from federal government	9,405	-	-	-	-	9,405	10,378
Loans	-	-	-	-	18,245	18,245	19,904
Other receivables	11,885	426	498	1,486	38,657	52,952	51,036
Due from other funds	222,925	12,947	-	-	6,109	241,981	167,498
Inventory (at cost)	35,220	-	5,829	-	3,572	44,621	37,087
Fixed assets	3,311,554	229,012	2,428,204	220,148	88,360	6,277,278	5,784,066
Restricted and other assets	93,141	52,359	207,294	2,686	35,745	391,225	406,624
Total assets	$3,694,258	$306,721	$2,656,943	$339,288	$290,597	$7,287,807	$6,695,482
LIABILITIES AND CAPITAL							
Liabilities:							
Accounts payable	$ 30,030	$ 10,372	$ 28,137	$ 2,055	$ 13,804	$ 84,398	$ 60,940
Other accrued liabilities	111,524	13,908	5,963	87	29,201	160,683	133,660
Due to other funds	-	-	17,693	-	-	17,693	19,295
Deferred revenue	48,201	215	31,253	-	3,333	83,002	120,028
Bonds and notes payable	1,264,064	176,825	293,272	229,142	-	1,963,303	1,583,647
Total liabilities	1,453,819	201,320	376,318	231,284	46,338	2,309,079	1,917,570
Capital:							
Contributed capital	2,323,782	95,713	2,280,625	-	72,430	4,772,550	4,587,303
Retained earnings (deficit):							
Reserved	-	7,979	-	752	13,901	22,632	20,332
Unreserved	(83,343)	1,709	-	107,252	157,928	183,546	170,277
Total capital	2,240,439	105,401	2,280,625	108,004	244,259	4,978,728	4,777,912
Total liabilities and capital	$3,694,258	$306,721	$2,656,943	$339,288	$290,597	$7,287,807	$6,695,482

COMMONWEALTH OF MASSACHUSETTS

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Totals 1988	Totals 1987
Operating revenues:							
Charges for services	$118,202	$ 5,734	$103,187	$ -	$167,586	$394,709	$354,537
Donations	-	-	-	-	5,034	5,034	4,972
Total operating revenues	118,202	5,734	103,187	-	172,620	399,743	359,509
Operating expenses:							
Cost of services	453,532	6,904	69,920	8,901	163,518	702,775	637,016
Depreciation	82,402	4,321	43,683	23	10,541	140,970	135,746
Total operating expenses	535,934	11,225	113,603	8,924	174,059	843,745	772,762
Operating loss	(417,732)	(5,491)	(10,416)	(8,924)	(1,439)	(444,002)	(413,253)
Nonoperating revenues (expenses):							
Operating grants	18,957	-	1,769	433	14,202	35,361	34,809
Interest income	6,941	860	9,500	2,187	6,217	25,705	26,271
Other revenues	5,676	402	-	465	1,082	7,625	8,662
Interest expense	(74,119)	(16,001)	(17,843)	(4,895)	(1,477)	(114,335)	(105,860)
Other expenses	-	(1,668)	(21,904)	(887)	(8,086)	(32,545)	(30,337)
Total nonoperating revenues (expenses)	(42,545)	(16,407)	(28,478)	(2,697)	11,938	(78,189)	(66,455)
Income (loss) before transfers and extraordinary item	(460,277)	(21,898)	(38,894)	(11,621)	10,499	(522,191)	(479,708)
Transfers and extraordinary item:							
Transfers in	392,189	18,209	-	17,093	14,909	442,400	383,866
Extraordinary item - loss on defeasance	-	-	-	-	-	-	(10,115)
Total transfers and extraordinary item	392,189	18,209	-	17,093	14,909	442,400	373,751
Net income (loss)	(68,088)	(3,689)	(38,894)	5,472	25,408	(79,791)	(105,957)
Add:							
Inventory valuation adjustment of assets acquired from contributed capital	-	-	-	-	-	-	4,680
Depreciation of cost of assets acquired from contributed capital	52,469	3,997	38,894	-	-	95,360	99,158
Increase (decrease) in retained earnings	(15,619)	308	-	5,472	25,408	15,569	(2,119)
Retained earnings (deficit) at beginning of year	(67,724)	9,380	-	102,532	146,421	190,609	192,728
Retained earnings (deficit) at end of year	($ 83,343)	$ 9,688	$ -	$108,004	$171,829	$206,178	$190,609

COMMONWEALTH OF MASSACHUSETTS

ENTERPRISE FUNDS

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Convention Center Authority	Massachusetts Water Resources Authority	Higher Education Building Authorities	Other	Totals 1988	Totals 1987
Sources of financial resources:							
Operations:							
Net income (loss)	($ 68,088)	($ 3,689)	($ 38,894)	$ 5,472	$25,408	($ 79,791)	($105,957)
Expenses not requiring current outlay of financial resources:							
Depreciation and amortization	82,402	4,321	43,683	23	10,541	140,970	135,746
Loss on defeasance	-	-	-	-	-	-	10,115
Total sources of financial resources from operations	14,314	632	4,789	5,495	35,949	61,179	39,904
Increase (decrease) in accounts payable	9,026	(1,072)	15,729	1,326	(1,551)	23,458	(4,352)
Increase in other accrued liabilities	17,169	2,868	905	81	6,000	27,023	31,410
Decrease in due to other funds	-	-	(1,602)	-	-	(1,602)	(15,079)
Increase (decrease) in deferred revenue	(28,064)	156	481	-	(9,599)	(37,026)	22,799
Issuance of bonds and notes payable	440,000	-	150,000	39,800	-	629,800	183,847
Contributed capital	204,662	11,979	35,898	-	28,060	280,607	205,245
Total sources of financial resources	657,107	14,563	206,200	46,702	58,867	983,439	463,774
Uses of financial resources:							
Increase (decrease) in investments	-	376	-	1,809	(465)	1,720	38,695
Increase (decrease) in receivables	1,074	426	(1,519)	571	(1,268)	(716)	(90,784)
Increase in due from other funds	66,457	2,417	-	-	5,609	74,483	20,470
Increase (decrease) in inventory	6,773	-	225	-	536	7,534	(3,697)
Increase (decrease) in restricted and other assets	(28,713)	(57,388)	66,762	(678)	4,618	(15,399)	(139,763)
Acquisition of fixed assets	379,244	59,811	132,133	42,180	20,814	634,182	442,157
Retirement of bonds and notes payable	235,331	8,710	5,481	622	-	250,144	191,259
Total uses of financial resources	660,166	14,352	203,082	44,504	29,844	951,948	458,337
Increase (decrease) in cash and short-term investments	($ 3,059)	$ 211	$ 3,118	$ 2,198	$29,023	$ 31,491	$ 5,437

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

GAAP BASIS

FIDUCIARY FUNDS

COMMONWEALTH OF MASSACHUSETTS

FIDUCIARY FUND TYPE

COMBINING BALANCE SHEET

JUNE 30, 1988

(Amounts in thousands)

	Expendable Trust Funds	Non-expendable Trust Fund	Pension Trust Funds	Agency Funds	Totals 1988	Totals 1987
ASSETS						
Cash and short-term investments	$ 156,195	$ 8,991	$ -	$ 723,567	$ 888,753	$ 958,267
Amounts on deposit with U.S. Treasury	1,145,824	-	-	-	1,145,824	1,058,990
Investments	-	-	6,314,185	-	6,314,185	5,793,525
Securities on deposit	-	-	-	786,601	786,601	650,930
Receivables, net of allowance for uncollectibles:						
Other receivables	190,440	14,964	24,269	-	229,673	204,408
Due from other funds	-	-	-	237,308	237,308	210,418
Investments of deferred compensation plan	-	-	-	317,315	317,315	237,195
Total assets	$1,492,459	$23,955	$6,338,454	$2,064,791	$9,919,659	$9,113,733
LIABILITIES AND FUND EQUITY						
Liabilities:						
Deficiency in cash and short-term investments	$ -	$ -	$ 75,553	$ -	$ 75,553	$ 57,549
Accounts payable	36,771	-	6,597	64,001	107,369	92,982
Other accrued liabilities	20,366	-	-	-	20,366	15,220
Due to other funds	-	-	237,308	-	237,308	196,267
Deferred revenue	1,186	-	-	-	1,186	1,588
Liabilities due depositors	1,017	-	-	2,000,790	2,001,807	1,708,876
Total liabilities	59,340	-	319,458	2,064,791	2,443,589	2,072,482
Fund equity:						
Fund balances:						
Reserved for:						
Unemployment benefits	1,238,428	-	-	-	1,238,428	1,157,389
Pension benefits	-	-	6,018,996	-	6,018,996	5,691,133
Unreserved	194,691	23,955	-	-	218,646	192,729
Total fund equity	1,433,119	23,955	6,018,996	-	7,476,070	7,041,251
Total liabilities and fund equity	$1,492,459	$23,955	$6,338,454	$2,064,791	$9,919,659	$9,113,733

COMMONWEALTH OF MASSACHUSETTS

EXPENDABLE TRUST FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1988

(Amounts in thousands)

	Expendable trust	Purchasing supply	Purchasing surplus	Unemployment compensation	Totals 1988	Totals 1987
ASSETS						
Cash and short-term investments	$161,161	$ -	$ -	$ -	$ 161,161	$ 138,343
Amounts on deposit with U.S. Treasury	-	-	-	1,145,824	1,145,824	1,058,990
Receivables, net of allowance for uncollectibles:						
Other receivables	72,865	-	-	117,575	190,440	171,828
Total assets	$234,026	$ -	$ -	$1,263,399	$1,497,425	$1,369,161
LIABILITIES AND FUND EQUITY						
Liabilities:						
Deficiency in cash and short-term investments	$ -	$820	$233	$ 3,913	$ 4,966	$ 100
Accounts payable	16,892	-	7	19,872	36,771	23,578
Other accrued liabilities	20,366	-	-	-	20,366	15,220
Deferred revenue	-	-	-	1,186	1,186	1,588
Liabilities due depositors	1,017	-	-	-	1,017	783
Total liabilities	38,275	820	240	24,971	64,306	41,269
Fund equity:						
Fund balances (deficit):						
Reserved for unemployment benefits	-	-	-	1,238,428	1,238,428	1,157,389
Unreserved	195,751	(820)	(240)	-	194,691	170,503
Total fund equity (deficit)	195,751	(820)	(240)	1,238,428	1,433,119	1,327,892
Total liabilities and fund equity	$234,026	$ -	$ -	$1,263,399	$1,497,425	$1,369,161

COMMONWEALTH OF MASSACHUSETTS

EXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Expendable trust	Purchasing supply	Purchasing surplus	Unemployment compensation	Totals 1988	Totals 1987
Revenues:						
Taxes	$ 13	$ -	$ -	$ 467,078	$ 467,091	$ 425,748
Federal grants and reimbursements	115,985	-	-	-	115,985	106,745
Departmental	177,832	1,153	-	-	178,985	206,566
Miscellaneous	68,583	-	282	93,892	162,757	24,791
Total revenues	362,413	1,153	282	560,970	924,818	763,850
Other financing sources:						
Transfers in	7,678	-	-	-	7,678	3,939
Total revenues and other sources	370,091	1,153	282	560,970	932,496	767,789
Expenditures:						
Judiciary	9	-	-	-	9	4
Executive	-	-	-	-	-	5
Secretary of the Commonwealth	6	-	-	-	6	-
Treasurer and Receiver - General	-	-	-	-	-	1
Attorney General	2,907	-	-	-	2,907	119
District Attorney	58	-	-	-	58	-
Administration and finance	1,389	1,323	358	-	3,070	7,473
Environmental affairs	1,665	-	-	-	1,665	2,241
Communities and development	550	-	-	-	550	5,989
Human services	6,485	-	-	-	6,485	4,957
Transportation and construction	1,436	-	-	-	1,436	1,368
Education	4,167	-	-	-	4,167	2,613
Higher education	313,444	-	-	-	313,444	274,414
Public safety	401	-	-	-	401	425
Economic affairs	3,602	-	-	479,931	483,533	440,579
Elder affairs	70	-	-	-	70	101
Consumer affairs	451	-	-	-	451	209
Energy resources	2	-	-	-	2	4,435
Labor	7,746	-	-	-	7,746	2,184
Independent commissions	-	-	-	-	-	865
Total expenditures	344,388	1,323	358	479,931	826,000	747,982
Other financing uses:						
Transfers out	1,174	-	95	-	1,269	149
Total expenditures and other financing uses	345,562	1,323	453	479,931	827,269	748,131
Excess (deficiency) of revenues and other sources over expenditures and other uses	24,529	(170)	(171)	81,039	105,227	19,658
Fund equity (deficit) at beginning of year	171,222	(650)	(69)	1,157,389	1,327,892	1,308,234
Fund equity (deficit) at end of year	$195,751	($ 820)	($240)	$1,238,428	$1,433,119	$1,327,892

COMMONWEALTH OF MASSACHUSETTS

PENSION TRUST FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1988

(Amounts in thousands)

	State employees' annuities	State employees' retirement military accumulation	Teachers' annuities	Teachers' retirement military accumulation	Pension reserve	Totals 1988	Totals 1987
ASSETS							
Cash and short-term investments	$ -	$11	$ 53,624	$1,249	$ -	$ 54,884	$ 120,675
Investments	1,960,404	-	2,093,703	-	2,260,078	6,314,185	5,793,525
Receivables, net of allowance for uncollectibles:							
Other receivables	-	-	24,269	-	-	24,269	19,208
Due from other funds	-	-	-	-	-	-	14,151
Total assets	$1,960,404	$11	$2,171,596	$1,249	$2,260,078	$6,393,338	$5,947,559
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deficiency in cash and short-term investments	$ 72,719	$-	$ -	$ -	$ 57,718	$ 130,437	$ 57,449
Accounts payable	960	-	5,637	-	-	6,597	2,710
Due to other funds	-	-	-	-	237,308	237,308	196,267
Total liabilities	73,679	-	5,637	-	295,026	374,342	256,426
Fund equity:							
Reserved for pension benefits	1,886,725	11	2,165,959	1,249	1,965,052	6,018,996	5,691,133
Total liabilities and fund equity	$1,960,404	$11	$2,171,596	$1,249	$2,260,078	$6,393,338	$5,947,559

COMMONWEALTH OF MASSACHUSETTS

PENSION TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	State employees' annuities	State employees' retirement military accumulation	Teachers' annuities	Teachers' retirement military accumulation	Pension reserve	Totals 1988	Totals 1987
Revenues:							
Employee contributions	$ 172,607	$-	$ 125,223	$ -	$ 8,642	$ 306,472	$ 293,400
Investment earnings	51,343	-	64,855	58	18,345	134,601	551,404
Total revenues	223,950	-	190,078	58	26,987	441,073	844,804
Other financing sources:							
Transfers in	-	-	-	-	154,026	154,026	263,088
Total revenues and other sources	223,950	-	190,078	58	181,013	595,099	1,107,892
Expenses:							
Other governmental charges	73,856	-	46,539	-	41,041	161,436	184,152
Other financing uses:							
Transfers out	16,218	-	89,582	-	-	105,800	129,153
Total expenditures and other uses	90,074	-	136,121	-	41,041	267,236	313,305
Net income	133,876	-	53,957	58	139,972	327,863	794,587
Fund equity at beginning of year	1,752,849	11	2,112,002	1,191	1,825,080	5,691,133	4,896,546
Fund equity at end of year	$1,886,725	$11	$2,165,959	$1,249	$1,965,052	$6,018,996	$5,691,133

COMMONWEALTH OF MASSACHUSETTS

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	State employees' annuities	State employees' retirement military accumulation	Teachers' annuities	Teachers' retirement military accumulation	Pension reserve	Totals 1988	Totals 1987
Sources of financial resources:							
Net income	$133,876	$ -	$53,957	$58	$139,972	$327,863	$ 794,587
Decrease in due from other funds	-	-	-	-	14,151	14,151	230,855
Increase in accounts payable	601	-	3,286	-	-	3,887	2,710
Increase in due to other funds	-	-	-	-	41,041	41,041	77,045
Total sources of financial resources	134,477	-	57,243	58	195,164	386,942	1,105,197
Uses of financial resources:							
Increase in investments	227,113	-	63,114	-	230,433	520,660	1,123,723
Increase in other receivables	-	-	5,061	-	-	5,061	1,767
Total uses of financial resources	227,113	-	68,175	-	230,433	525,721	1,125,490
Increase (decrease) in cash and short-term investments	($ 92,636)	$ -	($10,932)	$58	($ 35,269)	($138,779)	($ 20,293)

COMMONWEALTH OF MASSACHUSETTS

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Beginning balance	Additions	Deletions	Ending balance
AGENCY FUND				
Liabilities due depositors	$1,708,093	$ 304,736	$ 12,039	$2,000,790
Abandoned property	24,526	70,005	77,595	16,936
Court escrow deposits	24,545	13,143	3,162	34,526
Payroll withholdings	1,016	509,465	508,949	1,532
Child support enforcement	-	22,624	19,783	2,841
Local option taxes	9,680	94,428	96,092	8,016
Other agency	6,927	401	7,178	150
Totals	$1,774,787	$1,014,802	$724,798	$2,064,791

THE COMMONWEALTH OF

MASSACHUSETTS

Financial Section: Budgetary Basis

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Touche Ross

Independent Auditor's Report

Ms. Ellen M. O'Connor, Comptroller
The Commonwealth of Massachusetts

We have audited the accompanying general purpose financial statements - budgetary basis of the Commonwealth of Massachusetts as of June 30, 1988, and for the year then ended as listed in the table of contents, which include only those funds required by statute. These general purpose financial statements - budgetary basis are the responsibility of the Commonwealth of Massachusetts' management. Our responsibility is to express an opinion on these general purpose financial statements - budgetary basis based on our audit. We did not audit the financial statements of the Pension Reserve Investment Trust, an investment vehicle for certain of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements of which reflect 27 and 15 percent, respectively, of assets and revenues of the Fiduciary Fund Type. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fiduciary Fund Type referred to above, is based solely on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements - budgetary basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to audit the financial data presented in the General Fixed Asset Account Group.

As described in Notes 1 and 2, the Commonwealth's policy is to prepare its general purpose financial statements - budgetary basis on a prescribed basis of accounting that demonstrates compliance with the General Laws and budgetary principles and funds of the Commonwealth of Massachusetts. This practice differs from generally accepted accounting principles. Accordingly, the accompanying general purpose financial statements - budgetary basis are not intended to be a presentation in conformity with generally accepted accounting principles.

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In our opinion, based upon our audit and the report of other auditors except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the General Fixed Asset Account Group, the general purpose financial statements - budgetary basis referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts as of June 30, 1988, and the results of its operations for the year then ended, on the basis of accounting described in Notes 1 and 2.

As discussed in Notes 3 and 4 to the general purpose financial statements - budgetary basis, the Commonwealth has changed its method of accounting for bonds authorized - unissued, and has adjusted opening fund equity in the Special Revenue and Fiduciary Fund Types to reflect changes in individual fund classifications.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements - budgetary basis taken as a whole. The combining and individual fund financial statements - budgetary basis listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements - budgetary basis of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements - budgetary basis and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements - budgetary basis taken as a whole.

We did not audit the data included in the statistical section of this report and, accordingly, we express no opinion on such data.

Touche Ross & Co.

Certified Public Accountants
January 4, 1989

The budgetary basis financial statements are presented in accordance with Section 12 of Chapter 7A of the General Laws of the Commonwealth of Massachusetts.

For the fiscal year ended June 30, 1988, the budgetary basis financial statements include the 80 funds of the Commonwealth, incorporating the fiscal activities of the 168 state departments, agencies, boards, commissions and constitutional offices. These 168 state departments conduct their daily financial business through the Massachusetts Management Accounting and Reporting System (MMARS).

COMMONWEALTH OF MASSACHUSETTS

COMBINED BALANCE SHEET - BUDGETARY BASIS -
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1988

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
ASSETS	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-term Obligations	1988	1987
Cash and short-term investments	$595,002	$373,864	$18,963	$ -	$ 60,609	$ -	$ -	$ 1,048,438	$ 1,685,572
Amount on deposit with U.S. Treasury	-	-	-	-	1,145,824	-	-	1,145,824	1,058,990
Investments	-	-	-	-	6,314,185	-	-	6,314,185	5,793,525
Advances to MBTA	137,444	-	-	-	-	-	-	137,444	198,722
Securities on deposit	-	-	-	-	786,601	-	-	786,601	650,930
Receivables, net of allowance for uncollectibles:									
Due from federal government	93,629	10,301	-	14,896	46	-	-	118,872	154,258
Other receivables	10,281	22,713	-	-	-	-	-	32,994	19,295
Due from cities and towns	106,000	-	-	-	-	-	-	106,000	104,000
Due from other funds	-	-	-	-	-	-	-	-	14,151
Fixed assets:									
Land	-	-	-	-	-	579,619	-	579,619	579,619
Buildings	-	-	-	-	-	1,512,399	-	1,512,399	1,512,399
Machinery and equipment	-	-	-	-	-	532,913	-	532,913	490,869
Amount available for retirement of long-term obligations	-	-	-	-	-	-	-	-	21,017
Amount to be provided for retirement of long-term obligations	-	-	-	-	-	-	4,390,284	4,390,284	4,068,502
Total assets	$942,356	$406,878	$18,963	$14,896	$8,307,265	$2,624,931	$4,390,284	$16,705,573	$16,351,849

COMMONWEALTH OF MASSACHUSETTS

COMBINED BALANCE SHEET - BUDGETARY BASIS -
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
LIABILITIES AND FUND EQUITY	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-term Obligations	1988	1987
Liabilities:									
Deficiency in cash and short-term investments	$ -	$ -	$ -	$631,346	$ -	$ -	$ -	$ 631,346	$ 524,688
Accounts payable	514,296	173,784	-	107,750	79,998	-	-	875,828	993,557
Bonds matured, not redeemed	-	-	4,772	-	-	-	-	4,772	21,017
Liabilities due depositors	-	-	-	-	1,031,039	-	-	1,031,039	863,533
Due to other funds	-	-	-	-	-	-	-	-	14,151
Bonds and notes payable	106,000	-	-	103,800	-	-	4,390,284	4,600,084	4,256,419
Total liabilities	620,296	173,784	4,772	842,896	1,111,037	-	4,390,284	7,143,069	6,673,365
Fund equity:									
Investment in general fixed assets	-	-	-	-	-	2,624,931	-	2,624,931	2,582,887
Fund balances (deficit):									
Reserved for:									
Unemployment benefits	-	-	-	-	1,141,911	-	-	1,141,911	1,058,890
Pension benefits	-	-	-	-	5,994,727	-	-	5,994,727	5,671,925
Unreserved:									
Designated for continuing accounts	168,400	201,248	-	-	-	-	-	369,648	770,635
Designated for specific purpose	-	-	-	-	59,590	-	-	59,590	53,701
Designated for program stabilization	112,312	-	-	-	-	-	-	112,312	70,330
Undesignated	41,348	31,846	14,191	(828,000)	-	-	-	(740,615)	(529,884)
Total fund equity (deficit)	322,060	233,094	14,191	(828,000)	7,196,228	2,624,931	-	9,562,504	9,678,484
Total liabilities and fund equity	$942,356	$406,878	$18,963	$ 14,896	$8,307,265	$2,624,931	$4,390,284	$16,705,573	$16,351,849

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1988	1987
Revenues:							
Taxes	$5,264,151	$3,010,712	$ -	$ -	$ 459,564	$ 8,734,427	$ 8,487,211
Assessments	146,600	2,346	-	-	-	148,946	167,692
Federal grants and reimbursements	1,418,879	878,231	-	128,351	-	2,425,461	2,227,323
Departmental	464,791	1,605,955	-	256	1,153	2,072,155	2,062,610
Miscellaneous	124,795	44,893	-	1,056	162,971	333,715	172,814
Total revenues	7,419,216	5,542,137	-	129,663	623,688	13,714,704	13,117,650
Other financing sources:							
Proceeds of general obligation bonds	-	-	-	576,352	-	576,352	353,104
Proceeds of refunding bonds	-	-	-	-	-	-	526,074
Transfers in	225,271	644,726	539,214	-	7,678	1,416,889	1,499,026
Accounts payable balances reverted	52,521	18,718	-	13,413	460	85,112	17,492
Other sources	18,986	-	-	-	-	18,986	-
Total other financing sources	296,778	663,444	539,214	589,765	8,138	2,097,339	2,395,696
Total revenues and other sources	7,715,994	6,205,581	539,214	719,428	631,826	15,812,043	15,513,346
Expenditures:							
Legislature	48,148	-	-	125	-	48,273	45,056
Inspector General	1,203	-	-	-	-	1,203	1,173
Judiciary	37,826	213,730	-	55	-	251,611	279,090
Executive	5,808	5	-	17	-	5,830	4,097
Secretary of the Commonwealth	12,129	371	-	703	5	13,208	16,046
Treasurer and Receiver - General	70,105	1,941,066	-	-	-	2,011,171	1,962,085
Auditor of the Commonwealth	12,495	-	-	-	-	12,495	10,672
Attorney General	17,849	441	-	-	2,907	21,197	15,610
Ethics commission	982	-	-	-	-	982	946
District Attorney	57,522	24,242	-	-	72	81,836	42,288
Administration and finance	809,969	158,026	-	142,412	6,937	1,117,344	1,078,700
Environmental affairs	79,776	118,801	-	219,138	1,716	419,431	352,874
Communities and development	166,441	185,928	-	128,397	306	481,072	420,579
Human services	4,431,018	232,757	-	14,421	6,588	4,684,784	4,249,796
Transportation and construction	159,916	191,393	-	358,625	1,401	711,335	635,725

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	1988	1987
Expenditures (continued):							
Education	52,652	1,896,196	-	2,216	3,982	1,955,046	1,876,966
Higher education	745,816	6,590	-	23,481	34,028	809,915	737,432
Public safety	41,371	120,931	-	244	433	162,979	133,185
Economic affairs	52,222	129,732	-	-	473,543	655,497	616,133
Elder affairs	136,376	23,494	-	-	70	159,940	155,544
Consumer affairs	26,849	2,928	-	236	649	30,662	27,452
Energy resources	2,579	14,356	-	2,052	-	18,987	12,857
Labor	18,538	823	-	30	9,111	28,502	19,411
Independent commissions	3,861	26,355	-	-	-	30,216	37,521
Pension	235,576	316,398	-	-	-	551,974	488,500
Debt service:							
Principal retirement	11,759	-	269,479	-	-	281,238	263,685
Interest and fiscal charges	17,492	-	269,735	-	-	287,227	266,409
Total expenditures	7,256,278	5,604,563	539,214	892,152	541,748	14,833,955	13,749,832
Other financing uses:							
Transfers out:							
Payments to refunded bonds escrow agents	-	-	-	-	-	-	526,874
Debt service-principal	192,930	76,549	-	-	-	269,479	256,485
Debt service-interest	198,428	71,307	-	-	-	269,735	260,340
Pension	35,726	12,500	-	-	-	48,226	133,935
Fund deficit support	231,027	-	-	-	-	231,027	361,161
Other	24,757	605,748	-	14,866	1,268	646,639	621,040
Other uses	-	-	6,826	8,098	-	14,924	29,221
Total other financing uses	682,868	766,104	6,826	22,964	1,268	1,480,030	2,188,256
Total expenditures and other uses	7,939,146	6,370,667	546,040	915,116	543,016	16,313,985	15,938,088
Excess (deficiency) of revenues and other sources over expenditures and other uses	(223,152)	(165,086)	(6,826)	(195,688)	88,810	(501,942)	(424,742)
Fund equity (deficit) at beginning of year	545,212	398,180	21,017	(632,312)	1,104,997	1,437,094	1,861,836
Fund equity (deficit) at end of year	$ 322,060	$ 233,094	$ 14,191	($828,000)	$1,193,807	$ 935,152	$ 1,437,094

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Taxes	$5,264,151	$5,264,151	$ -	$3,010,712	$3,010,712	$ -	$ 8,274,863	$ 8,274,863	$ -
Assessments	146,600	146,600	-	2,346	2,346	-	148,946	148,946	-
Federal grants and reimbursements	1,418,879	1,418,879	-	74,946	74,946	-	1,493,825	1,493,825	-
Departmental	464,791	464,791	-	206,498	206,498	-	671,289	671,289	-
Miscellaneous	124,795	124,795	-	28,933	28,933	-	153,728	153,728	-
Total revenues	7,419,216	7,419,216	-	3,323,435	3,323,435	-	10,742,651	10,742,651	-
Other financing sources:									
Transfers in	225,271	225,271	-	632,800	632,800	-	858,071	858,071	-
Accounts payable balances reverted	52,521	52,521	-	15,120	15,120	-	67,641	67,641	-
Other sources	18,986	18,986	-	-	-	-	18,986	18,986	-
Total other financing sources	296,778	296,778	-	647,920	647,920	-	944,698	944,698	-
Total revenues and other sources	7,715,994	7,715,994	-	3,971,355	3,971,355	-	11,687,349	11,687,349	-
Expenditures:									
Legislature	59,774	48,148	11,626	-	-	-	59,774	48,148	11,626
Inspector General	1,357	1,203	154	-	-	-	1,357	1,203	154
Judiciary	44,591	37,826	6,765	227,372	213,647	13,725	271,963	251,473	20,490
Executive	6,117	5,808	309	-	-	-	6,117	5,808	309
Secretary of the Commonwealth	13,789	12,129	1,660	-	-	-	13,789	12,129	1,660
Treasurer and Receiver - General	70,372	70,105	267	1,033,111	1,032,981	130	1,103,483	1,103,086	397
Auditor of the Commonwealth	12,591	12,495	96	-	-	-	12,591	12,495	96
Attorney General	18,840	17,849	991	845	420	425	19,685	18,269	1,416
Ethics commission	992	982	10	-	-	-	992	982	10
District Attorney	60,887	57,522	3,365	23,618	23,003	615	84,505	80,525	3,980
Administration and finance	834,847	809,969	24,878	159,512	142,806	16,706	994,359	952,775	41,584
Environmental affairs	96,166	79,776	16,390	124,065	97,435	26,630	220,231	177,211	43,020
Communities and development	177,597	166,441	11,156	63,710	37,939	25,771	241,307	204,380	36,927
Human services	4,564,003	4,431,018	132,985	12,613	8,842	3,771	4,576,616	4,439,860	136,756
Transportation and construction	170,820	159,916	10,904	268,060	188,603	79,457	438,880	348,519	90,361
Education	66,484	52,652	13,832	1,683,672	1,675,829	7,843	1,750,156	1,728,481	21,675

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):									
Higher education	866,182	745,816	120,366	200	29	171	866,382	745,845	120,537
Public safety	48,492	41,371	- 7,121	108,926	106,483	2,443	157,418	147,854	9,564
Economic affairs	69,056	52,222	7,834	-	-	-	60,056	52,222	7,834
Elder affairs	144,117	136,376	7,741	-	-	-	144,117	136,376	7,741
Consumer affairs	28,545	26,849	1,696	3,025	2,911	114	31,570	29,760	1,810
Energy resources	2,943	2,579	364	74,311	13,621	60,690	77,254	16,200	61,054
Labor	21,507	18,538	2,969	-	-	-	21,507	18,538	2,969
Independent commissions	8,858	3,861	4,997	22,877	22,850	27	31,735	26,711	5,024
Pension	249,206	235,576	13,630	330,401	316,398	14,003	579,607	551,974	27,633
Debt service:									
Principal retirement	11,759	11,759	-	-	-	-	11,759	11,759	-
Interest and fiscal charges	17,492	17,492	-	-	-	-	17,492	17,492	-
Total expenditures	7,658,384	7,256,278	402,106	4,136,318	3,883,797	252,521	11,794,702	11,140,075	654,627
Other financing uses:									
Transfers out:									
Debt service-principal	192,930	192,930	-	76,004	76,549	(545)	268,934	269,479	(545)
Debt service-interest	190,317	198,428	(8,111)	71,306	71,306	-	261,623	269,734	(8,111)
Pension	35,726	35,726	-	12,500	12,500	-	48,226	48,226	-
Fund deficit support	-	231,027	(231,027)	-	-	-	-	231,027	(231,027)
Other	5,998	24,757	(18,759)	36,590	127,790	(91,200)	42,588	152,547	(109,959)
Total other financing uses	424,971	682,868	(257,897)	196,400	288,145	(91,745)	621,371	971,013	(349,642)
Total expenditures and other uses	8,083,355	7,939,146	144,209	4,332,718	4,171,942	160,776	12,416,073	12,111,088	304,985
Excess of expenditures and other uses over revenues and other sources	(367,361)	(223,152)	144,209	(361,363)	(200,587)	160,776	(728,724)	(423,739)	304,985
Fund equity at beginning of year	545,212	545,212	-	383,370	383,370	-	848,582	848,582	-
Fund equity (deficit) at end of year	$ 177,851	$ 322,060	$144,209	($ 57,993)	$ 102,783	$160,776	$ 119,858	$ 424,843	$304,985

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS -
NONEXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Fiduciary Fund Type		Totals (Memorandum Only)	
	Non-expendable Trust Fund	Pension Trust Funds	1988	1987
Revenues:				
Employee contributions	$ -	$ 301,411	$ 301,411	$ 291,633
Investment earnings	-	134,601	134,601	551,505
Departmental	72	-	72	35
Other revenue	145	-	145	15
Total revenues	217	436,012	436,229	843,188
Other financing sources:				
Transfers in	-	154,026	154,026	263,088
Accounts payable balances reverted	61	-	61	-
Total other sources	61	154,026	154,087	263,088
Total revenues and other sources	278	590,038	590,316	1,106,276
Expenses:				
Environmental affairs	169	-	169	179
Other governmental charges	-	161,436	161,436	184,152
Total expenses	169	161,436	161,605	184,331
Other financing uses:				
Transfers out	9	105,800	105,809	129,153
Total expenses and other uses	178	267,236	267,414	313,484
Net income	100	322,802	322,902	792,792
Fund equity at beginning of year	7,594	5,671,925	5,679,519	4,886,727
Fund equity at end of year	$7,694	$5,994,727	$6,002,421	$ 5,679,519

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

COMBINED STATEMENT OF CHANGES IN
FINANCIAL POSITION - BUDGETARY BASIS -
NONEXPENDABLE TRUST FUND AND PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Fiduciary Fund Type		Totals (Memorandum Only)	
	Non-expendable Trust Fund	Pension Trust Funds	1988	1987
Sources of financial resources:				
Operations:				
Net income	$100	$322,802	$322,902	$ 792,792
Decrease in due from other funds	-	14,151	14,151	230,855
Increase in accounts payable	-	3,887	3,887	2,771
Increase in due to other funds	-	41,041	41,041	77,045
Total sources of financial resources	100	381,881	381,981	1,103,463
Uses of financial resources:				
Increase in investments	-	520,660	520,660	1,123,723
Decrease in accounts payable	61	-	61	-
Total uses of financial resources	61	520,660	520,721	1,123,723
Increase (decrease) in cash and short-term investments	$ 39	($138,779)	($138,740)	($ 20,260)

See notes to general purpose financial statements - budgetary basis.

COMMONWEALTH OF MASSACHUSETTS

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - BUDGETARY BASIS

FISCAL YEAR ENDED JUNE 30, 1988

1. Financial Statement Presentation:

Introduction:

The accompanying general purpose financial statements - budgetary basis are presented in accordance with Section 12 of Chapter 7A of the General Laws. Notes 1, 2, and 3 are intended to highlight the budgetary accounting policies and replace Notes 1, 2 and 3 in the preceding general purpose financial statements prepared in conformity with generally accepted accounting principles. Note 4 details certain adjustments made to fund equity at July 1, 1987. Notes 4 through 15 in the general purpose financial statements form an integral part of the general purpose financial statements - budgetary basis. Certain reclassifications have been made to the 1987 balances to conform to the presentation used in 1988.

Reporting Entity:

The general purpose financial statements presented in this section include all funds and account groups of the Commonwealth of Massachusetts as recorded by the Office of the Comptroller in compliance with the General Laws and in accordance with the Commonwealth's budgetary principles and funds. The general purpose financial statements are not intended to include independent authorities and other organizations which may be included in the reporting entity as component units under the criteria of the Governmental Accounting Standards Board.

Fund Accounting:

The Commonwealth records its transactions in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have been materially eliminated. The funds and account groups are organized into three categories as follows:

Governmental Fund Types:

Governmental Funds are those through which most governmental functions of the Commonwealth are financed. The acquisition, use and balances of the Commonwealth's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is on determination of changes in financial position, rather than on net income.

1. Financial Statement Presentation (Continued):

Governmental Funds Types (Continued):

General Fund - is the general operating fund of the Commonwealth. It is used to account for all financial resources except those required to be accounted for in another fund. For financial statement purposes, the fund equity recorded in the Program Stabilization Fund is included as a designation of General Fund fund equity.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than trusts or Capital Projects Funds) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - are used to account for the accumulation of resources for, and the future payment of, general long-term debt principal and interest, except for mini-bond payments, which are made from the General Fund.

Capital Projects Funds - are used to account for financial resources to be used for acquisition or construction of major capital assets. Such resources are derived principally from proceeds of general obligation bonds and from federal reimbursements and state appropriations.

Fiduciary Funds:

Fiduciary Funds - are used to account for assets held by the Commonwealth in a trustee capacity (Trust Funds), or as an agent (Agency Funds) for individuals, private organizations, other governmental units and/or other funds. Trust Funds include Expendable Trust Funds, Nonexpendable Trust Funds and Pension Trust Funds. Nonexpendable Trust Funds and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. The measurement focus is on the determination of net income. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds with the measurement focus on changes in financial position rather than income. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

1. **Financial Statement Presentation (Continued):**

Account Groups:

Accounts groups are used to establish control and accountability over the Commonwealth's general fixed assets and long-term obligations. The Commonwealth's account groups are as follows:

General Fixed Assets Account Group - is used to account for general fixed assets.

General Long-term Obligations Account Group - is used to account for long-term obligations.

2. **Summary of Significant Accounting Policies:**

Introduction:

The general purpose financial statements - budgetary basis presented in this section are prepared from the Commonwealth's books and records and other official reports which are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (budgetary basis). Accordingly, the combined financial statements are not intended to present the financial condition and results of operations in conformity with generally accepted accounting principles (GAAP). A reconciliation of the operating results of all fund types between the budgetary and GAAP basis of accounting is presented in Note 3 - Budgetary Control - general purpose financial statements.

Basis of Accounting:

Revenues are recognized when received by the Commonwealth. Accordingly, receivables are not booked on the budgetary basis with the exception of federal reimbursements due for expenditures incurred as of June 30, 1988. Expenditures are recognized when paid and also include accounts payable and encumbrances.

Earnings on Pooled Cash:

The Commonwealth follows the practice of pooling cash and cash equivalents of all fund types. Cash equivalents consist of short-term investments and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and Expendable Trust Funds.

2. Summary of Significant Accounting Policies (Continued):

Investments:

Pension Trust Fund investments are stated at market. All other investments are stated at cost.

Advances to the Massachusetts Bay Transportation Authority (MBTA):

The Commonwealth periodically provides working capital advances to the MBTA to provide funding for its net cost of service. Such advances will be repaid through future sales of temporary debt, appropriations by the Legislature and reimbursement by the cities and towns for their share of the net cost of service.

Inventory:

Inventory purchases are recorded as expenditures when paid.

Interfund Transactions:

During the course of normal operations, the Commonwealth has numerous transactions between funds including those attributable to pooled cash and those authorized by statute. These transactions are recorded as operating transfers and as interfund receivables/payables. For financial statement presentation purposes, interfund receivables/payables, except for those related to the Pension Trust Funds, are combined with cash and short-term investments. This may result in a fund having a deficiency in cash and short-term investments at year end.

Additionally, in FY 88, the budget directed the General Fund to transfer sufficient funds to offset any fund balance deficits in the Local Aid and Highway Funds. These transfers are recorded as Fund Deficit Support.

General Fixed Assets:

General fixed assets are recorded as expenditures and capitalized annually in the General Fixed Assets Account Group in the year purchased. Land and buildings are recorded at their most recent locally assessed valuations while machinery and equipment are recorded at cost or estimated cost. Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) has not been capitalized.

2. Summary of Significant Accounting Policies (Continued):

Vacation and Sick Leave:

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rate of pay. Vacation and sick leave are recorded as expenditures when paid.

Insurance:

The Commonwealth self-insures for casualty, theft, tort claims, and other losses. Such losses are recorded as expenditures when paid.

Encumbrances:

The Commonwealth utilizes encumbrance accounting as a significant aspect of budgetary control. Under this method, all purchase orders, contracts and other commitments for expenditures of funds are recorded as a reserve against the applicable appropriation. Encumbrances outstanding at year end are recorded as expenditures and accounts payable.

Unreserved Fund Balances:

Unreserved fund balance is segregated into five separate and distinct components. A brief description of each is as follows:

"Designated for Continuing Accounts" are unexpended amounts in appropriations which are carried over to the next fiscal year. These amounts must either be authorized or be specific projects which were not completed during the current fiscal year.

"Designated for Specific Purpose" is composed of all unreserved fund balances within the Fiduciary Fund Type.

"Designated for Program Stabilization" represents amounts available in the General Fund for future specific appropriations. (See Note 4 to the general purpose financial statements.)

"Undesignated" fund balances or deficits consist of the governmental fund types' cumulative surplus or deficit not otherwise designated.

2. Summary of Significant Accounting Policies (Continued):

Total Columns on Combined Statements:

Total columns on the combined statements are presented to aggregate financial data of the fund types and account groups. No consolidating or other eliminations were made in arriving at the totals; thus they do not represent consolidated information.

3. Budgetary Control:

The Governor presents an annual budget to the State Legislature representing estimates of revenues, expenditures and other financing sources and uses anticipated during the coming fiscal year. The Massachusetts Constitution requires that a balanced budget be submitted by the Governor to the State Legislature. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies in an annual appropriation bill. The Governor, before signing the bill, may veto any specific item, subject to legislative override. Changes to this budget may be made via supplemental appropriation bills or other legislative acts which must be approved by the Legislature and signed by the Governor.

Subsequent to June 30, 1988, the Legislature passed and the Governor signed Chapters 208 and 236, Acts of 1988. These Acts included several supplemental budgetary and capital appropriations, and also incorporated provisions which changed the methods of accounting for certain transactions, effective July 1, 1987, including changing certain expenditures to Capital Projects Funds which had previously been included in various budgeted funds and directing certain transfers to be made from various budgeted funds to the General Fund. For the fiscal year ended June 30, 1988, the Legislature approved increases in original appropriations aggregating approximately $398,100,000.

The original budgeted revenues as submitted by the Governor are not amended to coincide with any legislative changes to the original expenditure budget, and, therefore, the Commonwealth does not have updated budgeted revenue totals for use in the accompanying financial statements. Accordingly, the Budget and Actual statements for the General Fund and Special Revenue Funds use actual revenues as the budgeted revenues.

3. Budgetary Control (Continued):

The Commonwealth adopts two types of appropriations in the annual budget. Most are lapsing appropriations which end each year and require annual reappropriation. The remaining appropriations are continuing appropriations where the Legislature has approved unspent funds in one year to be carried forward for spending the next year.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Expenditures or advance expenditure commitments (purchase orders) will not be approved by the Comptroller if they exceed the appropriation's total spending limit, which is a combination of authorized appropriations and portions of restricted receipts. In the Budget and Actual statements for the General Fund and Special Revenue Funds, the budgeted expenditures represent the total spending authority, net of carry forward amounts in continuing appropriations for fiscal 1989.

Budget and Actual statements for the Special Revenue Funds are presented for only those funds for which a budget has been adopted. The Special Revenue Funds, disclosed individually, with annual budgets are Highway, Local Aid, Government Land Bank, Victim and Witness Assistance, Mosquito and Greenhead Fly Control, Inland Fisheries and Game, Massachusetts Housing Partnership, Oil Overcharge, and Hazardous Waste. The "other" funds include Freight Rail, Passenger Rail, JFK Library and Park, Anti-Trust Law Enforcement, Non-Game Wildlife, Economic Development, Inter-City Bus Capital Assistance, Federally Assisted Housing Bond Sinking and Motorcycle Safety.

During 1988, the Commonwealth changed its method of reporting bonds which have been authorized but not issued. Previously, bonds authorized but unissued were included in fund balance upon authorization for issuance and appropriation by the Legislature. Effective June 30, 1988, these bonds are no longer reported as a component of fund equity. The effect of this change in fiscal year 1988 reporting was to decrease other financing sources in the Capital Projects Funds by $3,107,682,000.

4. Adjustments to Fund Equity:

For the fiscal year ended June 30, 1988, certain changes have been made to opening fund equity. Additionally, certain reclassifications have been made to the 1987 balances to conform to the presentation used in 1988.

The following schedule details the adjustments made to fund equity as of June 30, 1987, (amounts expressed in thousands):

	Fund Type				
	General	Special Revenue	Capital Projects	Expendable Trust	Pension Trust
Fund equity at June 30, 1987, as previously reported	$554,893	$294,134	$3,629,384	$1,184,321	$5,741,371
To eliminate bonds authorized - unissued	-	-	(4,251,696)	-	-
To revise accounting for various other items	(9,681)	-	(10,000)	24,722	(69,446)
To reclassify funds	-	104,046	-	(104,046)	-
Fund equity at June 30, 1987, as restated	$545,212	$398,180	($ 632,312)	$1,104,997	$5,671,925

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

BUDGETARY BASIS

GENERAL FUND

COMMONWEALTH OF MASSACHUSETTS

COMPARATIVE BALANCE SHEETS - BUDGETARY BASIS - GENERAL FUND

JUNE 30, 1988

(Amounts in thousands)

	1988	1987
ASSETS		
Cash and short-term investments	$595,002	$ 896,723
Advances to MBTA	137,444	198,722
Receivables, net of allowance for uncollectibles:		
Due from federal government	93,629	85,967
Other receivables	10,281	-
Due from cities and towns	106,000	104,000
Total assets	$942,356	$1,285,412
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$514,296	$ 623,827
Due to other funds	-	12,373
Bonds and notes payable	106,000	104,000
Total liabilities	620,296	740,200
Fund equity:		
Fund balances:		
Unreserved:		
Designated for continuing accounts	168,400	434,370
Designated for program stabilization	112,312	70,330
Undesignated	41,348	40,512
Total fund equity	322,060	545,212
Total liabilities and fund equity	$942,356	$1,285,412

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance favorable (Unfavorable)	1987 Actual
Revenues:				
Taxes	$5,264,151	$5,264,151	$ -	$5,080,969
Assessments	146,600	146,600	-	163,893
Federal grants and reimbursements	1,418,879	1,418,879	-	1,251,451
Departmental	464,791	464,791	-	443,200
Miscellaneous	124,795	124,795	-	89,689
Total revenues	7,419,216	7,419,216	-	7,029,202
Other financing sources:				
Transfers in	225,271	225,271	-	112,444
Accounts payable balances reverted	52,521	52,521	-	16,396
Other	18,986	18,986	-	-
Total other financing sources	296,778	296,778	-	128,840
Total revenues and other sources	7,715,994	7,715,994	-	7,158,042
Expenditures:				
Legislature	59,774	48,148	11,626	44,926
Inspector General	1,357	1,203	154	1,173
Judiciary	44,591	37,826	6,765	59,595
Executive	6,117	5,808	309	4,092
Secretary of the Commonwealth	13,789	12,129	1,660	15,355
Treasurer and Receiver - General	70,372	70,105	267	91,334
Auditor of the Commonwealth	12,591	12,495	96	10,672
Attorney General	18,840	17,849	991	14,967
Ethics commission	992	982	10	946
District Attorney	60,887	57,522	3,365	9,818
Administration and finance	834,847	809,969	24,878	822,387
Environmental affairs	96,166	79,776	16,390	82,479
Communities and development	177,597	166,441	11,156	131,424
Human services	4,564,003	4,431,018	132,985	4,005,863
Transportation and construction	170,820	159,916	10,904	19,878
Education	66,484	52,652	13,832	49,658

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND EQUITY - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Expenditures (continued):				
Higher education	866,182	745,816	120,366	697,598
Public safety	48,492	41,371	7,121	37,050
Economic affairs	60,056	52,222	7,834	57,221
Elder affairs	144,117	136,376	7,741	130,795
Consumer affairs	28,545	26,849	1,696	24,433
Energy resources	2,943	2,579	364	2,642
Labor	21,507	18,538	2,969	17,095
Independent commissions	8,858	3,861	4,997	11,667
Pension	249,206	235,576	13,630	208,486
Debt service:				
Principal retirement	11,759	11,759	-	7,200
Interest and fiscal charges	17,492	17,492	-	6,069
Total expenditures	7,658,384	7,256,278	402,106	6,564,823
Other financing uses:				
Transfers out:				
Debt service-principal	192,930	192,930	-	193,096
Debt service-interest	190,317	198,428	(8,111)	200,401
Pension	35,726	35,726	-	133,935
Fund deficit support	-	231,027	(231,027)	361,161
Other	5,998	24,757	(18,759)	20,131
Other uses	-	-	-	17,533
Total other financing uses	424,971	682,868	(257,897)	926,257
Total expenditures and other uses	8,083,355	7,939,146	144,209	7,491,080
Excess of expenditures and other uses over revenues and other sources	(367,361)	(223,152)	144,209	333,038)
Fund equity at beginning of year	545,212	545,212	-	878,250
Fund equity at end of year	$ 177,851	$ 322,060	$144,209	$ 545,212

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

BUDGETARY BASIS

SPECIAL REVENUE FUNDS

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET -
BUDGETARY BASIS - SPECIAL REVENUE FUNDS

JUNE 30, 1988

(Amounts in thousands)

	Federal grants	Highway	Local aid	Arts and state lotteries	Other	Totals 1988	Totals 1987
ASSETS							
Cash and short-term investments	$ 95,893	$19,922	$78,254	$74,279	$105,516	$373,864	$570,108
Receivables, net of allowance for uncollectibles:							
Due from federal government	8,646	1,655	-	-	-	10,301	-
Other receivables	-	-	-	5,020	17,693	22,713	19,295
Total assets	$104,539	$21,577	$78,254	$79,299	$123,209	$406,878	$589,403
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	$ 56,252	$21,577	$78,254	$ 6,540	$ 11,161	$173,784	$189,445
Due to other funds	-	-	-	-	-	-	1,778
Total liabilities	56,252	21,577	78,254	6,540	11,161	173,784	191,223
Fund equity:							
Fund balances (deficit):							
Unreserved:							
Designated for continuing accounts	52,553	-	-	67,539	81,156	201,248	336,265
Undesignated	(4,266)	-	-	5,220	30,892	31,846	61,915
Total fund equity	48,287	-	-	72,759	112,048	233,094	398,180
Total liabilities and fund equity	$104,539	$21,577	$78,254	$79,299	$123,209	$406,878	$589,403

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Federal grants	Highway	Local aid	Arts and state lotteries	Other	Totals 1988	Totals 1987
Revenues:							
Taxes	$ -	$296,412	$2,710,435	$ -	$ 3,865	$3,010,712	$2,973,631
Assessments	-	798	-	-	1,548	2,346	3,799
Federal grants and reimbursements	803,285	72,942	-	-	2,004	878,231	826,440
Departmental	95	191,640	1,969	1,392,601	19,650	1,605,955	1,607,769
Miscellaneous	369	1,728	14,424	5,377	22,995	44,893	4,085
Total revenues	803,749	563,520	2,726,828	1,397,978	50,062	5,542,137	5,415,724
Other financing sources:							
Transfers in	11,926	45	626,696	-	6,059	644,726	705,601
Accounts payable balances reverted	3,272	6,286	7,186	-	1,974	18,718	1,096
Total other financing sources	15,198	6,331	633,882	-	8,033	663,444	706,697
Total revenues and other sources	818,947	569,851	3,360,710	1,397,978	58,095	6,205,581	6,122,421
Expenditures:							
Judiciary	83	-	213,647	-	-	213,730	173,438
Executive	5	-	-	-	-	5	-
Secretary of the Commonwealth	371	-	-	-	-	371	691
Treasurer and Receiver - General	321	-	1,032,490	907,764	491	1,941,066	1,870,749
Attorney General	21	-	-	-	420	441	490
District Attorney	1,101	367	18,983	-	3,791	24,242	32,465
Administration and finance	2,796	59,812	82,994	-	12,424	158,026	123,151
Environmental affairs	21,366	49,267	37,913	-	10,255	118,801	110,926
Communities and development	147,988	-	7,288	-	30,652	185,928	180,760
Human services	223,915	-	8,775	-	67	232,757	235,069
Transportation and construction	2,790	183,412	3,224	-	1,967	191,393	214,665
Education	220,367	-	1,675,829	-	-	1,896,196	1,823,630
Higher education	6,561	-	29	-	-	6,590	6,144

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Federal grants	Highway	Local aid	Arts and state lotteries	Other	Totals 1988	Totals 1987
Expenditures (continued):							
Public safety	14,448	104,704	1,779	-	-	120,931	95,480
Economic affairs	129,732	-	-	-	-	129,732	125,499
Elder affairs	23,494	-	-	-	-	23,494	24,652
Consumer affairs	17	2,911	-	-	-	2,928	2,833
Energy resources	735	-	-	-	13,621	14,356	2,952
Labor	823	-	-	-	-	823	726
Independent commissions	3,505	-	22,850	-	-	26,355	24,989
Pension	-	44,171	272,227	-	-	316,398	280,014
Total expenditures	800,439	444,644	3,378,028	907,764	73,688	5,604,563	5,329,323
Other financing uses:							
Transfers out:							
Debt service-principal	-	66,040	7,661				
Debt service-interest	-	61,874	7,508	-	2,848	76,549	63,389
Pension	-	-	12,500	-	1,925	71,307	59,939
Other	19,441	65,102	12,750	-	-	12,500	-
Other uses	-	-	-	453,517	54,938	605,748	598,645
Total other financing uses	19,441	193,016	40,419	453,517	59,711	766,104	733,661
Total expenditures and other uses	819,880	637,660	3,418,447	1,361,281	133,399	6,370,667	6,062,984
Excess (deficiency) of revenues and other sources over expenditures and other uses	(933)	(67,809)	(57,737)	36,697	(75,304)	(165,086)	59,437
Fund equity at beginning of year	49,220	67,809	57,737	36,062	187,352	398,180	338,743
Fund equity at end of year	$ 48,287	$ -	$ -	$ 72,759	$112,048	$ 233,094	$ 398,180

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY -
BUDGETARY BASIS - BUDGET AND ACTUAL - HIGHWAY FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Taxes	$296,412	$296,412	$ -	$289,576
Assessments	798	798	-	2,320
Federal grants and reimbursements	72,942	72,942	-	11,858
Departmental	191,640	191,640	-	188,546
Miscellaneous	1,728	1,728	-	287
Total revenues	563,520	563,520	-	492,587
Other financing sources:				
Transfers in	45	45	-	79,754
Accounts payable balances reverted	6,286	6,286	-	(1,096)
Total other financing sources	6,331	6,331	-	78,658
Total revenues and other sources	569,851	569,851	-	571,245
Expenditures:				
District Attorney	367	367	-	323
Administration and finance	65,442	59,812	5,630	55,031
Environmental affairs	52,946	49,267	3,679	42,557
Transportation and construction	259,695	183,412	76,283	189,947
Higher education	-	-	-	(59)
Public safety	106,451	104,704	1,747	86,865
Consumer affairs	3,025	2,911	114	2,807
Pension	47,151	44,171	2,980	46,038
Total expenditures	535,077	444,644	90,433	423,509
Other financing uses:				
Transfers out:				
Debt service-principal	66,040	66,040	-	60,955
Debt service-interest	61,874	61,874	-	56,004
Other	36,590	65,102	(28,512)	49,206
Total other financing uses	164,504	193,016	(28,512)	166,165
Total expenditures and other uses	699,581	637,660	61,921	589,674
Excess of expenditures and other uses over revenues and other sources	(129,730)	(67,809)	61,921	(18,429)
Fund equity at beginning of year	67,809	67,809	-	86,238
Fund equity (deficit) at end of year	($ 61,921)	$ -	$61,921	$ 67,809

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY -
BUDGETARY BASIS - BUDGET AND ACTUAL - LOCAL AID FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Taxes	$2,710,435	$2,710,435	$ -	$2,671,201
Departmental	1,969	1,969	-	472
Miscellaneous	14,424	14,424	-	10
Total revenues	2,726,828	2,726,828	-	2,671,683
Other financing sources:				
Transfers in	626,696	626,696	-	607,046
Accounts payable balances reverted	7,186	7,186	-	2,404
Total other financing sources	633,882	633,882	-	609,450
Total revenues and other sources	3,360,710	3,360,710	-	3,281,133
Expenditures:				
Judiciary	227,372	213,647	13,725	219,356
Treasurer and Receiver - General	1,032,593	1,032,490	103	1,006,656
District Attorney	19,564	18,983	581	27,952
Administration and finance	95,386	82,994	12,392	58,934
Environmental affairs	40,441	37,913	2,528	37,452
Communities and development	7,148	7,288	(140)	15,113
Human services	12,516	8,775	3,741	11,209
Transportation and construction	4,625	3,224	1,401	7,475
Education	1,683,672	1,675,829	7,843	1,588,038
Higher education	200	29	171	-
Public safety	2,475	1,779	696	600
Independent commissions	22,877	22,850	27	22,134
Pension	283,250	272,227	11,023	233,976
Total expenditures	3,432,119	3,378,028	54,091	3,228,895

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY -
BUDGETARY BASIS - BUDGET AND ACTUAL - LOCAL AID FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Other financing uses:				
Transfers out:				
Debt service-principal	7,661	7,661	-	-
Debt service-interest	7,508	7,508	-	448
Pension	12,500	12,500	-	-
Other	-	12,750	(12,750)	69,017
Other uses	-	-	-	11,688
Total other financing uses	27,669	40,419	(12,750)	81,153
Total expenditures and other uses	3,459,788	3,418,447	41,341	3,310,048
Excess of expenditures and other uses over revenues and other sources	(99,078)	(57,737)	41,341	(28,915)
Fund equity at beginning of year	57,737	57,737	-	86,652
Fund equity (deficit) at end of year	($ 41,341)	$ -	$41,341	$ 57,737

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - GOVERNMENT LAND BANK FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Departmental	$1,575	$1,575	$ -	$ 200
Other financing sources:				
Transfer in	5,998	5,998	-	-
Total revenues and other sources	7,573	7,573	-	200
Expenditures:				
Administration and finance	(1,316)	-	(1,316)	-
Other financing uses:				
Transfers out:				
Debt service-principal	1,527	1,527	-	1,139
Debt service-interest	1,652	1,652	-	1,529
Total other financing uses	3,179	3,179	-	2,668
Total expenditures and other uses	1,863	3,179	(1,316)	2,668
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,710	4,394	(1,316)	(2,468)
Fund deficit at beginning of year	(7,314)	(7,314)	-	(4,846)
Fund deficit at end of year	($1,604)	($2,920)	($1,316)	($7,314)

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - VICTIM AND WITNESS ASSISTANCE FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Departmental	$5,461	$5,461	$-	$5,016
Miscellaneous	135	135	-	-
Total revenues	5,596	5,596	-	5,016
Other financing sources:				
Accounts payable balances reverted	136	136	-	83
Total revenues and other sources	5,732	5,732	-	5,099
Expenditures:				
Attorney General	414	76	338	50
District Attorney	3,687	3,653	34	2,990
Human services	97	67	30	52
Total expenditures	4,198	3,796	402	3,092
Other financing uses:				
Transfers out - other	-	807	(807)	-
Total expenditures and other uses	4,198	4,503	(405)	3,092
Excess of revenues and other sources over expenditures and other uses	1,534	1,129	(405)	2,007
Fund equity at beginning of year	4,987	4,987	-	2,980
Fund equity at end of year	$6,521	$6,116	($405)	$4,987

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - MOSQUITO AND GREENHEAD FLY CONTROL FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Assessments	$1,548	$1,548	$-	$1,479
Miscellaneous	281	281	-	255
Total revenues	1,829	1,829	-	1,734
Other financing sources:				
Accounts payable balances reverted	60	60	-	(16)
Total revenues and other sources	1,889	1,889	-	1,718
Expenditures:				
Environmental affairs	2,140	1,752	388	1,823
Other financing uses:				
Transfers out	-	185	(185)	3
Total expenditures and other uses	2,140	1,937	203	1,826
Excess of expenditures and other uses over revenues and other sources	(251)	(48)	203	(108)
Fund equity at beginning of year	728	728	-	836
Fund equity at end of year	$ 477	$ 680	$203	$ 728

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - INLAND FISHERIES AND GAME FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Taxes	$ 411	$ 411	$-	$ 402
Federal grants and reimbursements	2,004	2,004	-	1,920
Departmental	5,528	5,528	-	3,837
Miscellaneous	17	17	-	80
Total revenues	7,960	7,960	-	6,239
Other financing sources:				
Accounts payable balances reverted	970	970	-	(215)
Transfers in	61	61	-	70
Total other financing sources	1,031	1,031	-	(145)
Total revenues and other sources	8,991	8,991	-	6,094
Expenditures:				
Treasurer and Receiver - General	518	491	27	539
Environmental affairs	7,092	6,397	695	5,343
Total expenditures	7,610	6,888	722	5,882
Other financing uses:				
Transfers out:				
Debt service-principal	50	50	-	80
Debt service-interest	9	9	-	13
Other	-	556	(556)	286
Total other financing uses	59	615	(556)	379
Total expenditures and other uses	7,669	7,503	166	6,261
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,322	1,488	166	(167)
Fund equity at beginning of year	1,150	1,150	-	1,317
Fund equity at end of year	$2,472	$2,638	$166	$1,150

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGETARY BASIS -
BUDGET AND ACTUAL - MASSACHUSETTS HOUSING PARTNERSHIP FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable	1987 Actual
Revenues:				
Taxes	$ 3,454	$ 3,454	$ -	$12,452
Other financing sources:				
Accounts payable balances reverted	62	62	-	-
Total revenues and other sources	3,516	3,516	-	12,452
Expenditures:				
Communities and development	16,579	3,999	12,580	4,742
Other financing uses:				
Other	-	6	(6)	-
Total expenditures and other uses	16,579	4,005	12,574	4,742
Excess (deficiency) of revenues and other sources over expenditures and other uses	(13,063)	(489)	12,574	7,710
Fund equity at beginning of year	18,710	18,710	-	11,000
Fund equity at end of year	$ 5,647	$18,221	$12,574	$18,710

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY -
BUDGETARY BASIS - BUDGET AND ACTUAL - OIL OVERCHARGE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Miscellaneous	$ 11,640	$ 11,640	$ -	$102,654
Expenditures:				
Communities and development	39,983	26,652	13,331	-
Energy resources	74,311	13,621	60,690	-
Total expenditures	114,294	40,273	74,021	-
Other financing uses:				
Transfers out:				
Other	-	46	(46)	-
Total expenditures and other uses	114,294	40,319	73,975	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(102,654)	(28,679)	73,975	102,654
Fund equity at beginning of year	102,654	102,654	-	-
Fund equity at end of year	$ -	$ 73,975	$73,975	$102,654

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - BUDGET AND ACTUAL - HAZARDOUS WASTE FUND

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Departmental	$ -	$ -	$ -	$21,000
Expenditures:				
Environmental affairs	21,000	1,774	19,226	-
Other financing uses:				
Transfers out	-	17,225	(17,225)	-
Total expenditures and other uses	21,000	18,999	2,001	-
Fund equity at beginning of year	21,000	21,000	-	-
Fund equity at end of year	$ -	$ 2,001	$ 2,001	$21,000

COMMONWEALTH OF MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY -
BUDGETARY BASIS - BUDGET AND ACTUAL - OTHER SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	1988 Budget	1988 Actual	Variance Favorable (Unfavorable)	1987 Actual
Revenues:				
Departmental	$ 325	$ 325	$ -	$ -
Miscellaneous	708	708	-	1,617
Total revenues	1,033	1,033	-	1,617
Other financing sources:				
Accounts payable balances reverted	420	420	-	(64)
Total revenues and other sources	1,453	1,453	-	1,553
Expenditures:				
Attorney General	431	344	87	431
Environmental affairs	446	332	114	2,171
Transportation and construction	3,740	1,967	1,773	4,959
Total expenditures	4,617	2,643	1,974	7,561
Other financing uses:				
Transfers out:				
Debt service-principal	726	1,271	(545)	725
Debt service-interest	263	263	-	2,435
Other	-	31,113	(31,113)	-
Total financing uses	989	32,647	(31,658)	3,160
Total expenditures and other uses	5,606	35,290	(29,684)	10,721
Excess of expenditures and other uses over revenues and other sources	(4,153)	(33,837)	(29,684)	9,168)
Fund equity at beginning of year	35,909	35,909	-	45,077
Fund equity at end of year	$31,756	$ 2,072	($29,684)	$35,909

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

BUDGETARY BASIS

CAPITAL PROJECT FUNDS

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET - BUDGETARY BASIS - CAPITAL PROJECTS FUNDS

JUNE 30, 1988

(Amounts in thousands)

	General	Highway	Federal	Other	Totals 1988	Totals 1987
ASSETS						
Cash and short-term investments	$ -	$ -	$ -	$ -	$ -	$ 70,767
Receivables, net of allowance for uncollectibles:						
Due from federal government	-	-	14,896	-	14,896	68,291
Total assets	$ -	$ -	$14,896	$ -	$ 14,896	$139,058
LIABILITIES AND FUND DEFICIT						
Liabilities:						
Deficiency in cash and short-term investments	$322,786	$272,708	$17,657	$18,195	$631,346	$595,455
Accounts payable	44,436	17,053	33,970	12,291	107,750	113,015
Bonds and notes payable	35,600	62,600	-	5,600	103,800	62,900
Total liabilities	402,822	352,361	51,627	36,086	842,896	771,370
Fund Deficit:						
Unreserved:						
Undesignated	(402,822)	(352,361)	(36,731)	(36,086)	(828,000)	(632,312)
Total liabilities and fund deficit	$ -	$ -	$14,896	$ -	$ 14,896	$139,058

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGETARY BASIS - CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	General	Highway	Federal	Other	Totals 1988	Totals 1987
Revenues:						
Federal grants and reimbursements	$ 149	$ -	$127,252	$ 950	$128,351	$ 149,432
Departmental	-	-	-	256	256	30
Miscellaneous	936	-	-	120	1,056	-
Total revenues	1,085	-	127,252	1,326	129,663	149,462
Other financing sources:						
Proceeds of refunding bonds	-	-	-	-	-	526,074
Proceeds of general obligation bonds	312,257	173,796	-	90,299	576,352	353,104
Accounts payable balances reverted	6,058	3,051	1,447	2,857	13,413	-
Total other financing sources	318,315	176,847	1,447	93,156	589,765	879,178
Total revenues and other sources	319,400	176,847	128,699	94,482	719,428	1,028,640
Expenditures:						
Legislature	125	-	-	-	125	130
Judiciary	55	-	-	-	55	4
Executive	17	-	-	-	17	-
Secretary of the Commonwealth	703	-	-	-	703	-
Administration and finance	120,181	1,348	15	20,868	142,412	169,285
Environmental affairs	158,164	26,470	-	34,504	219,138	156,920
Communities and development	122,524	-	-	5,873	128,397	102,153
Human services	14,043	-	-	378	14,421	2,802
Transportation and construction	10,263	87,928	260,262	172	358,625	399,489
Education	2,216	-	-	-	2,216	213
Higher education	23,481	-	-	-	23,481	7,432
Public safety	215	29	-	-	244	241
Consumer affairs	236	-	-	-	236	-
Energy resources	2,052	-	-	-	2,052	3,822
Labor	30	-	-	-	30	-
Total expenditures	454,305	115,775	260,277	61,795	892,152	842,491

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGETARY BASIS - CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	General	Highway	Federal	Other	Totals 1988	Totals 1987
Other financing uses:						
Payments to refunded bonds escrow agents	-	-	-	-	-	526,074
Transfers out - other	11,212	45	3,179	430	14,866	2,114
Other	-	-	-	8,098	8,098	-
Total other financing uses	11,212	45	3,179	8,528	22,964	528,188
Total expenditures and other uses	465,517	115,820	263,456	70,323	915,116	1,370,679
Excess (deficiency) of revenues and other sources over expenditures and other uses	(146,117)	61,027	(134,757)	24,159	(195,688)	(342,039)
Fund equity (deficit) at beginning of year	(256,705)	(413,388)	98,026	(60,245)	(632,312)	(290,273)
Fund deficit at end of year	($402,822)	($352,361)	($ 36,731)	($36,086)	($828,000)	($ 632,312)

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS -

BUDGETARY BASIS

FIDUCIARY FUNDS

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET - BUDGETARY BASIS - FIDUCIARY FUND TYPE

JUNE 30, 1988

(Amounts in thousands)

	Expendable Trust Funds	Non-expendable Trust Funds	Pension Trust Funds	Agency Funds	Totals 1988	Totals 1987
ASSETS						
Cash and short-term investments	$ 57,337	$7,694	$ -	$ 71,131	$ 136,162	$ 255,273
Amount on deposit with U.S. Treasury	1,145,824	-	-	-	1,145,824	1,058,990
Investments	-	-	6,314,185	-	6,314,185	5,793,525
Securities on deposit	-	-	-	786,601	786,601	650,930
Due from federal government	46	-	-	-	46	-
Due from other funds	-	-	-	237,308	237,308	210,418
Total assets	$1,203,207	$7,694	$6,314,185	$1,095,040	$8,620,126	$7,969,136
LIABILITIES AND FUND EQUITY						
Liabilities:						
Deficiency in cash and short-term investments	$ -	$ -	$ 75,553	$ -	$ 75,553	$ 57,549
Accounts payable	9,400	-	6,597	64,001	79,998	67,271
Liabilities due depositors	-	-	-	1,031,039	1,031,039	863,533
Due to other funds	-	-	237,308	-	237,308	196,267
Total liabilities	9,400	-	319,458	1,095,040	1,423,898	1,184,620
Fund equity:						
Reserved for:						
Unemployment benefits	1,141,911	-	-	-	1,141,911	1,058,890
Pension benefits	-	-	5,994,727	-	5,994,727	5,671,925
Unreserved:						
Designated for specific purpose	51,896	7,694	-	-	59,590	53,701
Total fund equity	1,193,807	7,694	5,994,727	-	7,196,228	6,784,516
Total liabilities and fund equity	$1,203,207	$7,694	$6,314,185	$1,095,040	$8,620,126	$7,969,136

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET - BUDGETARY BASIS - EXPENDABLE TRUST FUNDS

JUNE 30, 1988

(Amounts in thousands)

	Expendable trust	Purchasing supply	Purchasing surplus	Unemployment compensation	Totals 1988	Totals 1987
ASSETS						
Cash and short-term investments	$62,303	$-	$-	$ -	$ 62,303	$ 53,594
Amounts on deposit with U.S. Treasury	-	-	-	1,145,824	1,145,824	1,058,990
Receivables, net of allowance for uncollectibles:						
Due from federal government	46	-	-	-	46	-
Total assets	$62,349	$-	$-	$1,145,824	$1,208,173	$1,112,584
LIABILITIES AND FUND EQUITY						
Liabilities:						
Deficiency in cash and short-term investments	$ -	$820	$233	$ 3,913	$ 4,966	$ 100
Accounts payable	9,388	9	3	-	9,400	7,487
Total liabilities	9,388	829	236	3,913	14,366	7,587
Fund equity (deficit):						
Reserved for unemployment benefits	-	-	-	1,141,911	1,141,911	1,058,890
Unreserved:						
Designated for specific purpose	52,961	(829)	(236)	-	51,896	46,107
Total fund equity (deficit)	52,961	(829)	(236)	1,141,911	1,193,807	1,104,997
Total liabilities and fund equity	$62,349	$-	$-	$1,145,824	$1,208,173	$1,112,584

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	Expendable trust	Purchasing supply	Purchasing surplus	Unemployment compensation	Totals 1988	Totals 1987
Revenues:						
Taxes	$ 13	$ -	$-	$ 459,551	$ 459,564	$ 432,611
Departmental	-	1,153	-	-	1,153	11,611
Other revenue	68,772	-	307	93,892	162,971	64,721
Total revenues	68,785	1,153	307	553,443	623,688	508,943
Other financing sources:						
Transfers in	7,678	-	-	-	7,678	3,939
Accounts payable balances reverted	377	79	4	-	460	-
Total other financing sources	8,055	79	4	-	8,138	3,939
Total revenues and other sources	76,840	1,232	311	553,443	631,826	512,882
Expenditures:						
Judiciary	-	-	-	-	-	15
Executive	-	-	-	-	-	5
Secretary of the Commonwealth	5	-	-	-	5	-
Treasurer and Receiver - General	-	-	-	-	-	2
Attorney General	2,907	-	-	-	2,907	153
District Attorney	72	-	-	-	72	5
Administration and finance	5,350	1,194	393	-	6,937	9,915
Environmental affairs	1,716	-	-	-	1,716	2,549
Communities and development	306	-	-	-	306	6,242
Human services	6,588	-	-	-	6,588	6,062
Transportation and construction	1,401	-	-	-	1,401	1,693
Education	3,982	-	-	-	3,982	3,465
Higher education	34,028	-	-	-	34,028	26,258
Public safety	433	-	-	-	433	414

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - BUDGETARY BASIS - EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

(Continued)

	Expendable trust	Purchasing supply	Purchasing surplus	Unemployment compensation	Totals 1988	Totals 1987
Economic affairs	3,121	-	-	470,422	473,543	433,413
Elder affairs	70	-	-	-	70	97
Consumer affairs	649	-	-	-	649	186
Energy resources	-	-	-	-	-	3,441
Labor	9,111	-	-	-	9,111	1,690
Independent commissions	-	-	-	-	-	865
Total expenditures	69,739	1,194	393	470,422	541,748	496,370
Other financing uses:						
Transfers out	1,173	-	95	-	1,268	150
Total expenditures and other uses	70,912	1,194	488	470,422	543,016	496,520
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,928	38	(177)	83,021	88,810	16,362
Fund equity (deficit) at beginning of year	47,033	(867)	(59)	1,058,890	1,104,997	1,088,635
Fund equity (deficit) at end of year	$52,961	($ 829)	($236)	$1,141,911	$1,193,807	$1,104,997

COMMONWEALTH OF MASSACHUSETTS

COMBINING BALANCE SHEET - BUDGETARY BASIS - PENSION TRUST FUNDS

JUNE 30, 1988

(Amounts in thousands)

	State employees' annuities	State employees' retirement military accumulation	Teachers' annuities	Teachers' retirement military accumulation	Pension reserve	Totals 1988	Totals 1987
ASSETS							
Cash and short-term investments	$ -	$11	$ 53,624	$1,249	$ -	$ 54,884	$ 120,675
Investments	1,960,404	-	2,093,703	-	2,260,078	6,314,185	5,793,525
Due from other funds	-	-	-	-	-	-	14,151
Total assets	$1,960,404	$11	$2,147,327	$1,249	$2,260,078	$6,369,069	$5,928,351
LIABILITIES AND FUND EQUITY							
Liabilities:							
Deficiency in cash and short-term investments	$ 72,719	$-	$ -	$ -	$ 57,718	$ 130,437	$ 57,449
Accounts payable	960	-	5,637	-	-	6,597	2,710
Due to other funds (cities and towns share of PRIT)	-	-	-	-	237,308	237,308	196,267
Total liabilities	73,679	-	5,637	-	295,026	374,342	256,426
Fund equity:							
Reserved for pension benefits	1,886,725	11	2,141,690	1,249	1,965,052	5,994,727	5,671,925
Total liabilities and fund equity	$1,960,404	$11	$2,147,327	$1,249	$2,260,078	$6,369,069	$5,928,351

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY -
BUDGETARY BASIS - PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	State employees' annuities	State employees' retirement military accumulation	Teachers' annuities	Teachers' retirement military accumulation	Pension reserve	Totals 1988	Totals 1987
Revenues:							
Employee contributions	$ 172,607	$-	$ 120,162	$ -	$ 8,642	$ 301,411	$ 291,633
Investment earnings	51,343	-	64,855	58	18,345	134,601	551,404
Total revenues	223,950	-	185,017	58	26,987	436,012	843,037
Other financing sources:							
Transfers in	-	-	-	-	154,026	154,026	263,088
Total revenues and other sources	223,950	-	185,017	58	181,013	590,038	1,106,125
Expenses:							
Payments to beneficiaries and cities and towns	73,856	-	46,539	-	41,041	161,436	184,152
Other financing uses:							
Transfers out	16,218	-	89,582	-	-	105,800	129,153
Total expenses and other uses	90,074	-	136,121	-	41,041	267,236	313,305
Net income	133,876	-	48,896	58	139,972	322,802	792,820
Fund equity at beginning of year	1,752,849	11	2,092,794	1,191	1,825,080	5,671,925	4,879,105
Fund equity at end of year	$1,886,725	$11	$2,141,690	$1,249	$1,965,052	$5,994,727	$5,671,925

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION -
BUDGETARY BASIS - PENSION TRUST FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

	State employees' annuities	State employees' retirement military accumulation	Teachers' annuities	Teachers' retirement military accumulation	Pension reserve	Totals 1988	Totals 1987
Sources of financial resources:							
Operations:							
Net income	$133,876	$-	$48,896	$ 58	$139,972	$322,802	$ 792,820
Decrease in due from other funds	-	-	-	-	14,151	14,151	230,855
Increase in accounts payable	601	-	3,286	-	-	3,887	2,710
Increase in due to other funds	-	-	-	-	41,041	41,041	77,045
Total sources of financial resources	134,477	-	52,182	58	195,164	381,881	1,103,430
Uses of financial resources:							
Increase in investments	227,113	-	63,114	-	230,433	520,660	1,123,723
Increase (decrease) in cash and short-term investments	($ 92,636)	$-	($10,932)	$ 58	($ 35,269)	($138,779)	($ 20,293)

COMMONWEALTH OF MASSACHUSETTS

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - BUDGETARY BASIS - AGENCY FUNDS

FISCAL YEAR ENDED JUNE 30, 1988

(Amounts in thousands)

Agency fund	Beginning balance	Additions	Deletions	Ending balance
Liabilities due depositors	$853,852	$186,854	$ 9,667	$1,031,039
Abandoned property	24,526	60,005	67,595	16,936
Court escrow deposits	24,545	13,143	3,162	34,526
Payroll withholdings	1,016	509,465	508,949	1,532
Child support enforcement	-	22,624	19,783	2,841
Local option taxes	9,680	94,428	96,092	8,016
Other agency withholdings	6,927	401	7,178	150
Totals	$920,546	$886,920	$712,426	$1,095,040

THE COMMONWEALTH OF

MASSACHUSETTS

Statistical Section

COMMONWEALTH OF MASSACHUSETTS

TEN YEAR SCHEDULE OF REVENUES BY SOURCE -
BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES

(Amounts in millions)

	1988	%	1987	%	1986	%	1985	%	1984	%	1983	%	1982	%	1981	%	1980	%	1979	%
Source:																				
Taxes	$ 8,275	63.2%	$8,055	64.5%	$7,511	65.0%	$ 6,424	64.1%	$5,660	67.6%	$4,992	64.4%	$4,637	64.4%	$4,194	62.1%	$3,830	60.4%	$3,521	60.7%
Federal reimbursements	1,622	12.4	1,415	11.3	1,379	11.9	1,222	12.2	1,161	13.9	1,254	16.2	1,208	16.8	1,169	17.3	1,115	17.6	1,088	18.8
Federal grants	803	6.1	812	6.5	827	7.2	758	7.6	639	7.6	618	8.0	608	8.4	687	10.2	713	11.2	597	10.3
Federal revenue sharing	-	-	-	-	-	-	-	-	-	-	2	-	2	-	36	0.5	73	1.2	76	1.3
Fees, reimbursements, sales, etc.	677	5.2	604	4.8	602	5.2	535	5.3	581	6.9	562	7.2	455	6.3	400	5.9	388	6.1	307	5.3
Assessments	149	1.1	168	1.3	24	0.2	108	1.1	100	1.2	110	1.4	100	1.4	94	1.4	95	1.5	90	1.6
Motor vehicle licenses and registrations	167	1.3	175	1.4	151	1.3	145	1.4	128	1.5	118	1.5	111	1.5	103	1.5	65	1.0	66	1.1
Lottery	1,398	10.7	1,276	10.2	1,066	9.2	831	8.3	113	1.3	98	1.3	86	1.2	75	1.1	62	1.0	52	0.9
Total revenues	$13,091		$12,505		$11,560		$10,023		$8,382		$7,754		$7,207		$6,758		$6,341		$5,797	

Amounts in 1987 have been restated to include Authorities Deficiency and Oil Overcharge Funds within governmental funds.

COMMONWEALTH OF MASSACHUSETTS

TEN YEAR SCHEDULE OF TAX REVENUES BY SOURCE -
BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES

(Amounts in millions)

	1988	%	1987	%	1986	%	1985	%	1984	%	1983	%	1982	%	1981	%	1980	%	1979	%
Source:																				
Income	$3,985	48.2%	$3,996	49.6%	$3,628	48.3%	$3,159	49.1%	$2,790	49.3%	$2,472	49.5%	$2,324	50.2%	$2,058	49.1%	$1,860	48.5%	$1,631	46.3%
Sales and use	2,021	24.4	1,866	23.2	1,710	22.8	1,438	22.3	1,248	22.0	1,052	21.1	917	19.8	860	20.5	746	19.4	718	20.4
Corporations	772	9.3	814	10.1	802	10.7	666	10.4	577	10.2	506	10.1	498	10.7	442	10.5	439	11.5	401	11.4
Motor fuel	306	3.7	297	3.7	289	3.9	281	4.4	275	4.9	250	5.0	269	5.8	238	5.7	212	5.5	224	6.4
Cigarette	168	2.0	171	2.1	174	2.3	177	2.8	170	3.0	143	2.9	145	3.1	149	3.6	144	3.8	142	4.0
Insurance	248	3.0	221	2.7	192	2.6	164	2.6	135	2.4	135	2.7	122	2.6	114	2.7	112	2.9	105	3.0
Inheritance and estate	255	3.1	223	2.8	211	2.8	154	2.4	127	2.2	112	2.2	99	2.1	82	2.0	79	2.1	75	2.1
Banks	219	2.6	229	2.8	193	2.6	140	2.2	100	1.8	114	2.3	70	1.5	77	1.8	71	1.9	55	1.6
Alcoholic beverages	78	1.0	80	1.0	80	1.0	84	1.3	84	1.5	83	1.7	84	1.8	85	2.0	80	2.1	80	2.2
Other	223	2.7	158	2.0	232	3.0	161	2.5	154	2.7	125	2.5	109	2.4	89	2.1	87	2.3	90	2.6
Total tax collections	$8,275		$8,055		$7,511		$6,424		$5,660		$4,992		$4,637		$4,194		$3,830		$3,521	

Certain tax categories were restated in 1986 per requirements of Chapter 62F, Massachusetts General Laws.

COMMONWEALTH OF MASSACHUSETTS

TEN YEAR SCHEDULE OF EXPENDITURES -
BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES

(Amounts in millions)

	1988	%	1987	%	1986	%	1985	%	1984	%	1983	%	1982	%	1981	%	1980	%	1979	%
Type of expenditures:																				
State aid	$ 3,938	27.6%	$ 3,794	28.6%	$ 3,299	29.6%	$2,950	30.2%	$2,628	30.4%	$2,421	29.9%	$2,246	29.4%	$2,016	27.8%	$2,009	29.6%	$1,687	25.3%
Laboratory, medical and general care	3,487	24.4	3,209	24.2	2,845	25.5	2,396	24.5	2,258	26.1	2,184	26.9	2,148	28.1	2,064	28.5	1,867	27.5	1,711	25.6
Salaries	2,424	17.0	2,317	17.5	1,964	17.6	1,767	18.1	1,592	18.4	1,440	17.8	1,330	17.4	1,256	17.3	1,199	17.7	1,038	15.4
Debt service	568	4.0	530	4.0	522	4.7	482	4.9	447	5.2	403	5.0	378	4.9	439	6.1	428	6.3	1,021	15.3
Special supplies and expenses	1,761	12.3	1,347	10.2	734	6.6	626	6.4	399	4.6	377	4.7	312	4.1	327	4.5	311	4.6	362	5.4
Services, nonemployees	365	2.6	391	3.0	433	3.9	384	3.9	345	4.0	327	4.0	318	4.2	293	4.0	273	4.0	169	2.5
Capital outlay	463	3.2	474	3.5	376	3.4	304	3.1	261	3.0	353	4.5	333	4.4	321	4.4	232	3.4	228	3.4
Pension and benefits	552	3.8	488	3.7	401	3.6	265	2.7	237	2.7	205	2.5	187	2.4	173	2.4	156	2.3	213	3.2
Heat and other plant operations	96	0.7	90	0.7	94	0.8	106	1.2	106	1.2	99	1.2	105	1.4	104	1.3	85	1.3	60	0.9
Office and administrative expenses	121	0.8	102	0.8	85	0.8	86	0.9	68	0.8	60	0.7	65	0.9	50	0.7	50	0.7	38	0.6
Rentals	139	1.0	145	1.0	113	1.0	104	1.2	86	1.0	68	0.8	63	0.8	48	0.7	39	0.5	39	0.6
Repairs, replacements and alterations	124	0.8	100	0.8	69	0.6	82	0.8	61	0.7	48	0.6	46	0.6	48	0.7	39	0.5	37	0.6
Equipment	77	0.5	95	0.7	67	0.6	73	0.7	37	0.4	25	0.3	24	0.3	32	0.4	27	0.4	21	0.3
Travel and automotive expenses	56	0.4	52	0.4	48	0.4	42	0.4	39	0.5	27	0.3	33	0.4	30	0.4	24	0.4	20	0.3
Advertising	43	0.3	40	0.3	32	0.3	33	0.3	25	0.3	19	0.2	17	0.2	19	0.3	18	0.3	16	0.2
Food and clothing	58	0.4	55	0.4	43	0.4	47	0.5	43	0.5	33	0.4	21	0.3	20	0.3	20	0.3	17	0.3
Farm and grounds	12	0.1	16	0.1	13	0.1	11	0.1	9	0.1	11	0.1	10	0.1	7	0.1	5	0.1	8	0.1
Housekeeping supplies and expenses	8	0.1	8	0.1	8	0.1	8	0.1	7	0.1	7	0.1	7	0.1	6	0.1	4	0.1	3	0.0
Total expenditures	$14,292		$13,253		$11,146		$9,766		$8,650		$8,187		$7,643		$7,253		$6,786		$6,688	

Amounts in 1986 and prior years are as reported by spending departments.

COMMONWEALTH OF MASSACHUSETTS

TEN YEAR SCHEDULE OF RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL EXPENDITURES - BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES

(Amounts in millions)

Fiscal year ended June 30,	Total debt service*	Total expenditures**	Ratio
1988	$ 568	$14,292	4.0%
1987	530	13,253	4.0
1986	522	11,397	4.6
1985	482	10,132	4.8
1984	447	8,970	5.0
1983	403	8,431	4.8
1982	378	7,881	4.8
1981	439	7,153	6.1
1980	428	6,788	6.3
1979	1,021	6,903	14.8

*Debt service includes principal and interest payments related to general obligation long-term bonds and mini-bonds.

**For 1986 and prior years, transfers to the debt service fund, previously reported as expenditures, have been excluded.

COMMONWEALTH OF MASSACHUSETTS

PER CAPITA LONG-TERM DEBT

LAST TEN FISCAL YEARS

(Amounts in thousands)

Fiscal year ended June 30,	Estimated population*	Total long-term debt**	Per capita long-term debt
1988	5,849	$4,121,993	$0.705
1987	5,845	3,825,968	0.655
1986	5,832	3,676,997	0.630
1985	5,819	3,424,647	0.589
1984	5,792	3,346,600	0.578
1983	5,762	3,181,610	0.552
1982	5,744	2,920,486	0.508
1981	5,753	2,812,483	0.489
1980	5,743	2,828,895	0.493
1979	5,746	2,850,906	0.496

*Population is calendar year based for 1986 and prior.
Source: U.S. Department of Commerce, Bureau of Labor Statistics

**Total long-term debt does not include discount.

COMMONWEALTH OF MASSACHUSETTS

MASSACHUSETTS AND U.S. POPULATION 1978-1987

(Amounts in thousands)

Year	United States	Change	Massachusetts	Change	Massachusetts as % of U.S.
1987	243,400	1.0%	5,838	0.1%	2.40%
1986	241,078	1.0	5,832	0.2	2.42
1985	238,741	1.0	5,819	0.5	2.44
1984	236,477	0.9	5,792	0.5	2.45
1983	234,284	1.0	5,762	0.3	2.46
1982	231,996	1.0	5,744	(0.2)	2.48
1981	229,637	1.0	5,753	0.2	2.51
1980	227,255	1.2	5,743	(0.1)	2.53
1979	224,569	1.1	5,746	0.1	2.56
1978	222,096	1.1	5,743	0.0	2.59

Source: U.S. Department of Commerce, Bureau of Labor Statistics

COMMONWEALTH OF MASSACHUSETTS

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY
IN MASSACHUSETTS AND THE UNITED STATES FOR 1987

(Amounts in thousands)

Type of industry	Mass.	% of Mass. total	U.S.	% of U.S. total	Mass. % vs. U.S.
Manufacturing:	597	19.6%	19,065	18.8%	1.04
Durable goods	397	13.0	11,218	11.0	1.18
High Technology	240	7.9	NA	NA	NA
Nondurable goods	200	6.6	7,847	7.8	0.85
Nonmanufacturing:	2,447	80.4	82,524	81.2	0.99
Construction	137	4.5	4,998	4.9	0.92
Transportation	129	4.4	5,385	5.3	0.83
Trade	719	23.6	24,381	24.0	0.98
Wholesale	169	5.6	5,872	5.8	0.96
Retail	550	18.0	18,509	18.2	0.99
Financial services	217	7.1	6,549	6.4	1.11
Other services	847	27.8	24,196	23.8	1.17
Government	398	13.0	17,015	16.8	0.77
Federal	62	2.0	2,943	2.9	0.69
State and local	336	11.0	14,072	13.9	0.80
Totals for 1987	3,044	100.0	101,589	100.0	1.00

Source: Massachusetts Division of Employment and Training

NA: Not available

COMMONWEALTH OF MASSACHUSETTS

TEN LARGEST INDUSTRIES
BY NUMBER OF EMPLOYEES AS OF OCTOBER, 1988

Industry	Number of employees
Services	881,300
Wholesale and retail trade	727,200
Manufacturing: Durable goods	386,500
Local government	238,400
Finance, insurance and banking	228,000
Manufacturing: Nondurable goods	195,900
Construction	150,000
Transportation	130,300
State government	101,900
Federal government	62,600

Source: Massachusetts Division of Employment and Training

COMMONWEALTH OF MASSACHUSETTS

ANNUAL AVERAGE CIVILIAN LABOR FORCE,
UNEMPLOYMENT AND UNEMPLOYMENT RATES
FOR MASSACHUSETTS AND THE U.S., 1979-1988

(Amounts in thousands)

	Massachusetts			United States			
Year	Labor force	Unemployment	Unemployment rate	Labor force	Unemployment	Unemployment rate	Massachusetts' rate as % of U.S. rate
1988*	3,150	104	3.3%	115,521	6,491	5.6%	58.9%
1987	3,086	99	3.2	119,865	7,425	6.2	51.6
1986	3,051	117	3.8	117,834	8,237	7.0	54.3
1985	3,050	120	3.9	115,461	8,312	7.2	54.2
1984	3,047	145	4.8	113,544	8,539	7.5	64.0
1983	2,977	205	6.9	111,550	10,717	9.6	71.9
1982	2,993	237	7.9	110,204	10,678	9.7	81.4
1981	2,947	187	6.3	108,670	8,273	7.6	82.9
1980	2,867	162	5.7	106,940	7,637	7.1	80.3
1979	2,871	159	5.5	104,962	6,137	5.8	94.8

Sources: Massachusetts Division of Employment and Training
U.S. Department of Labor, Bureau of Labor Statistics, unpublished data

*1988 figures are for the first 10 months of the calendar year.

COMMONWEALTH OF MASSACHUSETTS

TWENTY-FIVE LARGEST MASSACHUSETTS EMPLOYERS*

A.T.& T. Technologies, Inc.
Bank of Boston
Bank of New England
Blue Cross Blue Shield of Massachusetts
Boston University
Digital Equipment Corporation
Friendly Ice Cream Corporation
General Electric Company
Harvard University
Jewel Company
John Hancock Mutual Life Insurance Company
Jordan Marsh Company
Massachusetts General Hospital
Massachusetts Institute of Technology
New England Telephone & Telegraph Company
Polaroid Corporation
Raytheon Company
Sears, Roebuck & Company
Shaw's Supermarkets, Inc.
State Street Bank & Trust Company
The Stop & Shop Companies, Inc.
Supermarket General Corporation
United Parcel Service, Inc.
Wang Laboratories, Inc.
Zayre Corporation

Source: Massachusetts Division of Employment and Training

*Employers are identified by number of Massachusetts employees, as of June 1988.

This financial report is submitted to the General Court in compliance with section 4 and section 12 of chapter 7A of the General Laws.

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